

**Economic Reform in the U.S.S.R. :
Some Theoretical Issues in Conceptualizing a
Democratic Socialism**

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DECLARATION

Certified that the dissertation entitled, 'Economic Reform in the U.S.S.R. : Some Theoretical Issues in Conceptualizing a Democratic Socialism,' submitted by Mr. ANINDYA SAHA in partial fulfilment of the requirements for the award of the degree of Master of Philosophy, has not been previously submitted for any other degree of this University or any other University and is his own work.

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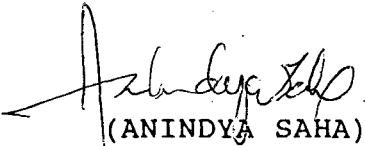
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INTRODUCTION

Even since 1985, the Soviet Union has been in the throes of a process of far-reaching change, initiated at first from above, but soon echoed by - and perhaps overtaken - by pressures from below.

One of the purposes of this chapter is to examine this process of change. But the primary aim of this examination is not the explication and analysis of events and social forces in the USSR. It is, rather, to suggest that the post-1985 changes have put on the agenda not only this or that concrete policy issue related to reform, but a rethinking of the very conceptualization of socialism itself, of what the fundamental institutional organization of a society calling itself socialist might be. In the words of the eminent Soviet studies specialist, R.W. Davies,

"...some elements of a new model of socialism have emerged which in major aspects contradicts not only the traditional Soviet model but also the vision of the socialist future depicted by Lenin and even by Marx".¹

If this is correct, there it is reasonable to argue that, without denying in any way the need to debate on concrete policy options and the mobilization

1. R.W. Davies, "Gorbachev's Socialism in Historical Perspective", New Left Review, No. 179, p.7.

of social forces behind them, there is also a pressing need to clarify the end-point itself: i.e. the institutional shape of a socialist society. It is this question that is taken up in detail in the subsequent chapters. The task of this chapter is, then, to suggest, by an examination of the post-1985 changes in the USSR, the motivations for this theoretical enquiry, and also some of the probable directions in which this inquiry may move. Put in another way, this chapter examines the prefiguring- albeit in a highly contradictory manner - of the institutions of a democratic socialism in the recent reform process in the USSR.

It is the reforms in the sphere of the economy which will be examined first, followed by a look at the relation between economic reforms and the process of political democratisation. The distinction, of course, is only analytical, because in the actual process of change in the USSR, the two have proceeded together.

1. The Economic Reforms

The economic reforms were masterminded by a group of reform economists, clustered in research institutes in Moscow, Leningrad and Novosibirsk ². It is not possible to give here a full exposition of their ideas;

2. See for a sketch of the background of the reforms Boris Kagarlitsky, "Perestroika: The Dialectic of Change", New Left Review, No. 169, pp.63-83.

rather, a few features which appear to be of particular significance will be focussed upon.³

(i) The first significant feature is the introduction of a much greater role for the market. Gorbachev spoke cautiously at the 27th Party Congress in February 1986 of the need to strengthen commodity-money relations. By 1989, however, he had made it clear that a decisive direction of the economic reform had to be the establishment of a full-blooded socialist market. As Abel Aganbegyan has written, the most important element in perestroika is

"... the reform of management -moving from administrative methods to economic measures. Everything else depends on this reform. Enterprises have to change in their economic management from a system of administrative commands to regulation by economic means - prices, interest charges, wholesaling. This means the reform of finance and banking as well as of price formation, and a move away from centralised allocation of resources to buying and selling in the market"⁴. (emphasis added).

3. The following discussion draws on A. Aganbegyan, "New Directions in Soviet Economics", New Left Review, No. 169, pp.89-95 and R.W.Davies, op.cit. Aganbegyan was one of the masterminds behind the reform and for some time was Chief Economic Adviser to Gorbachev.

4. A. Aganbegyan, op.cit., p.93.

(ii) The second distinctive feature of the economic reforms is a move towards industrial democracy or workers' self-management. In fact this is seen as the necessary complement to the other move of ensuring the autonomy of enterprises from the administrative-command system. The economic reform adopted in July 1987 was a compromise between various views, but self-management appeared prominently in it. It was declared in "The Law on the State Enterprise" that the enterprise must be self-financing, and that the labour collective was the master of the enterprise. It was also stated the Council of the Labour Collective in each enterprise would decide all production and social questions.⁵ To quote Aganbegyan once more:

"The increased role of the workers in enterprises will involve them in determining the enterprise plan, the allocation of resources and the election of managers".⁶

(iii) From state ownership to pluralism of ownership forms

The new model has also abandoned the assumption that state ownership is the highest form of ownership.

5. As reported in R.W. Davies, op.cot., p.15.

6. A. Aganbegyan, op.cit., p. 93.

State, cooperative and even individual ownership (within limits) are now considered to be of equal status in the socialist economy. At the congress of Soviets in May 1989, Gorbachev said:

"We are in favour of the creation of flexible and effective social relations in regard to the utilisation of social wealth; each form of property should demonstrate its power and its right to existence in the course of lively emulation and just competition. Only one condition is required: that exploitation and the alienation of the worker from the means of production should not be permitted".⁷

2. Social and Political aspects of the reform process

It is instructive to follow in some detail the evolution of the official reform policies on democratisation. Initially, Gorbachev and his advisers laid the primary stress on economic reform alone. However such a programme proved impossible to implement due to the counter - pressure exerted by the bureaucracy. It was slowly realised in reformist circles that whether or not democratization was valued in itself, it was clearly necessary if the economic reforms were to be carried through.⁸

7. As cited in R.W. Davies, op.cit., p.15.

8. This is the argument of B. Kagarlitsky, op.cit., p.74

The January 1987 Plenum of the Central Committee was meant to reinforce these shifts. It was here that a number of proposals put forward at the 27th Congress were translated into concrete measures. In his address to the Trades Union Congress in February 1987, Gorbachev said:

"The question poses itself in the following manner: either democratisation or social inertia and conservatism. There is no third way".⁹

Concretely, what this attack on the bureaucracy implied may be broken down into a few categories:

- An attack on the momenklatura system of cadre selection, under which party members enjoyed the power to appoint managers.

-An attack on the economic power of the party apparatus. For sixty years, this had been a crucial role of the party in the centralised command economy. In the January 1987 plenum Gorbachev said:

"It is matter of improving the methods of party leadership so as to exclude any supplanting of, or petty tutelage over, the economic organs. But some party leaders have trouble with the perestroika - they are unable to give up the dispatcher functions that do not belong to the party, the

9. Izvestiya, Feb. 26, 1987, cited in D. Mandel, "Economic Reform and Democracy in the Soviet Union", in The Socialist Register 1988.

desire to decide all questions for everyone, to hold everything, so to speak, in one's fist".¹⁰

- These reforms also involve the (atleast partial) replacement of appointment from above with election from below, and the accompanying freedom to publicly criticise officials without fear of retribution.

3. Contradictions of the official reformist position and the emergence of democratic socialist groupings

The official reformist bloc under Gorbachev has, in the face of difficulties in the reform process, moved more and more away from its original programme. To be sure, these contradictions were always present; but with the passage of time they became more glaring. There is no space here to go into the details of these shifts in Soviet politics. What is important is the argument here is that there had, in the meantime, emerged political groups which proclaim themselves in favour of democratic socialism, and which were ready to differ with the official reformers and put forward alternative proposals in their stead.¹¹

10. Pravda, Jan.28, 1987 as cited in D. Mandel, op.cit., p.136.

11. This is described in R.W. Davies, op.cit., pp.22-26. B. Kagarlitsky, who is himself a prominent member of this trend, has, in his The Thinking Reed (London: Verso, 1988) described this trend against the larger perspective of Russian intellectual and cultural history.

Their programmes, no doubt, suffer from a certain lack of precision; but broadly speaking, they include "political democratisation, the development of industrial and local self - management, the maintenance of social provisions, a redistributive, anti-bureaucratic policy under democratic control from below, defence of the interests of consumers, and a gradual reorientation of the economy, taking into account ecological and humanitarian factors, towards the satisfaction of human need".¹²

It would be appropriate at this point to step back for a moment from the USSR of the late eighties and recall an essay on the central theoretical issues facing socialists wishing to reform the statist system in East Europe which was published in 1979 by the eminent Hungarian sociologist Ivan Szelenyi.¹³ The similarity of the issues posed is remarkable. Szelenyi argues that there are two clusters of issues confronting democratic socialists in East Europe and the USSR He describes them as, first, the question of economic self-

12. P. Kagarlitsky, op.cit., pp.82-83.

13. Ivan Szelenyi, "Socialist Opposition in Eastern Europe: Dilemma & Prospects", in R.L. Tokes (ed.), Opposition in Eastern Europe (London: Macmillan, 1979). Szelenyi is also the co-author, with G. Konrad of the important work Intellectuals on the Road to Class Power (Brighton: Harvester 1979).

management (as opposed to be centralised redistributive power of the planners); and second, political self-determination (as opposed to the hegemony of the vanguard party). He also points clearly to the interconnection between the economic and the political reforms:

"... no significant economic reform is possible in Soviet-type societies without a major political reform, and no real self-management is possible without political self-determination and vice versa. Socialists in Eastern Europe have to search for a new * form of socialism which transcends state socialism both as an economic and as a political system, and a socialist opposition might emerge as soon as it can come forward with a new theory of socialism which is based on a genuinely self-managed economy and on guarantees for real political self-determination".¹⁴ (emphasis added).

Szelenyi ends his essay with a call for a concerted effort to conceptualize an alternative, democratic form of socialism. In a statement directed to the Western Left, but which may be taken more generally as addressed to all socialists, he writes:

14. I. Szelenyi, op.cit., p.206.

"The significance of the East European experience for socialist theory is that now socialist critics have to confront systematically these two alternative visions of socialism [Szelenyi means the existing statist system and his postulated model]. Too much forgiveness during the thirties and forties and too crude rejections since 1956, and especially since 1968, have prevented the Western Left from learning enough from the lessons the Soviet Union offered. First they would explain all crimes from 'historical circumstances'. Later they just labelled them 'State Capitalist', and thus they have never found out what went wrong with state socialism, and they were not forced to work systematically on the theory of an alternative socialism. And it is precisely such an alternative theory of socialism that we may expect to come out of Eastern Europe".¹⁵ (Emphasis added).

It is precisely this task of theorising this "alternative socialism" that is taken up in the subsequent chapters. The first chapter examines the deep-seated contradictions in Marx's conceptualisation of socialism. This initial exercise is necessary in order to drive home the point that no direct help can be had from classical Marxism, even at its best, in the

15. I. Szelenyi, op.cit., p.207.

task of visualising a democratic socialism. The second and third chapters take up the question of the economic and the political institutions of a democratic socialism respectively, while the Conclusion points to some broader issues in theorising socialism which could not be taken up in the main text.

CHAPTER I

CONTRADICTIONS IN MARX'S CONCEPTUALIZATION OF SOCIALISM.

1. Introduction

The purpose of this chapter is to examine what Marx had to say on the question of the institutional organisation of socialism. Any such attempt must reckon with the fact that it is possible to locate in Marx's work not one, but two such models - the first of which might be called the marketless central planning model, and the second, the commune model. The contradiction between the two models, when presented in this way, immediately leaps to the eye.¹ However, in this discussion we shall adopt the line that Marx intended the first model to hold good for the economic organisation of socialism, and the second for its political organisation. It will be argued that even on this reading - which give Marx's ideas greater plausibility - Marx's vision of socialism is irredeemably contradictory.

1. This, for instance, is the line taken by Neil Harding, "Socialism, Society and the Organic Labour State", in N. Harding, (ed), The State in Socialist Society (London : Mac millan, 1984).

This chapter is organised as follows:

- After a sketch of the two models, it is argued that a planned economy cannot coexist with a commune - type polity.

- Next, it is argued that not only are the two models incompatible with each other, but each of them, taken by itself, is either incoherent or lead to circumstances very far removed from socialism. That is to say even if the commune model were combined with some kind of economy (not of the central planning type) which was compatible with it, it would, by itself generate inseparable problems. And so also would be the case - if the argument presented here is correct - for the planning type economy even if it were combined with a polity compatible with it.

This chapter by arguing the case for the deeply contradictory character of Marx's vision of socialism - its economy and polity at odds with each other, and each schema by itself incoherent and/or tending to undermine socialism of its own accord, is meant to prepare the way for the attempt to sketch the essential features of a feasible democratic socialism, with which the remaining chapter are concerned. The task of this chapter is, then, essentially negative - it is to demonstrate that on the issues of both the economic and the political organisation of socialism, it is necessary to rethink the institutional form which a feasible democratic

socialism can take. It is not enough to stop at a critique of Stalinism or even of Leninism - it is necessary to carry the critique into the heart of Marx's own conceptualization.

2. The Structure of Post Revolutionary Political Organisation: The Commune Model.

Marx's second model - the Commune Model, as it might be called - is described most explicitly in his writings on the Paris Commune of 1871, in particular in "The civil war in France". However, it is Lenin's 'State & Revolution' written in July 1917 but published in 1918 after the revolution, in which this line of thought is worked out to its fullest extent. This is text in which the very organisation of the chapter makes clear the author's intention - to recover exactly what Marx & Engels had to say on the question. Any act of recovery is, of course, as the hermeneutic tradition forcefully reminds us, simultaneously always a creative reading and interpretation, and indeed there are places in Lenin's text where he might be said to have given a somewhat partial and one sided view of the master;² but on the whole, it should not be considered incomplete ^{vrect} ~~of~~ to

2. R. Miliband points out some of these in his "Lenin's State & Revolution" in The Socialist Register 1970; but as he himself says, they do not appear to be very major.

analyse Lenin's text as representing not only his own understanding, but that of Marx as well.

But before analyzing the text, it's necessary to briefly summarize the key points of Lenin's argument.

Lenin's argument in 'The State and Revolution'

This may, for the sake of clarity, be divided into a number of central propositions^{2a}.

1. The state is a product of irreconcilable class antagonisms. It is an organ for the suppression of one class by another.
2. A democratic republic is the best possible shell for capitalism. It is precisely a democratic republic which enables capital to entrench its power so deeply that no change of institutions, persons or parties can shake it.

This is a crucial point in Lenin's argument. He claims not only that capitalist happen, as a matter of empirical fact, to control the political institutions of a Bourgeois Society, but also that those institutions are structured in ways which guarantee that control.

- 2a. This draws on E.O.Wright, "Bureaucracy and the State", in Class, Crisis and the State (London: New Left Books, 1978), pp.181-204.

3. Bureaucracy is the basic structure through which capitalist class rule is implemented. In addition, bureaucratic organisation is suited only for capitalist domination. This can be further disaggregated into three arguments: that bureaucracy is functional for capitalism: that bureaucrats are dependent on the bourgeoisie: and that bureaucratic organisation makes popular control of administration impossible.

(i) Bureaucracy is functional for capitalism: the various bourgeois revolutions led, according to Lenin, to the continuous increase in the strengthening of the bureaucratic and military apparatus. The latest stage of capitalism, the epoch of monopoly capitalism, has led to an even greater level of bureaucratisation. This is seen by Lenin as a functional response by the capitalist class to the pressures of class struggle which accompany the development of capitalism.

(ii) The dependence of the bureaucracy on the bourgeoisie: this is most obvious in the case of top bureaucratic positions, since these tend to be distributed as political spoils among the bourgeois and petty-bourgeois parties. But, Lenin argues, not only these top positions, but the whole apparatus is bound to the bourgeoisie by a thousand threads.

(iii) The bureaucracy is structurally separated from the people. The sheer existence of bureaucracy tends to further capitalist interests-or, at any rate, to impede working class interests. The central characteristics of bureaucratic organisation which separate it from the masses are:

- Appointment of officials rather than election, and the impossibility of recall;
- The high salaries and special privileges of officials, which concretely tie their interests to the bourgeoisie, and place them above the people.
- The restricted nature of bourgeois democracy, which separates legislation from administration and prevents the participation of the people in either.

From this analysis it clearly follows that there is no possibility of the bourgeois state being 'captured' and used in the interest of the working class. Thus, if the latter wishes to take power as a new ruling class and organize society in its own interests, it must destroy the old state structures and create new ones.

4. Socialism requires that the institutions of the bourgeois state should be completely smashed and replaced by a new form of proletarian democracy, organised in soviets. The basic principles of these new institutions are to be:

- Parliament, which today is merely a talking shop for fooling the people, is dissolved to give way to the commune, which is executive and legislative at the same time.
- This proletarian democracy is simultaneously a dictatorship of the proletariat, which imposes firm restriction on the freedom of the exploiters.
- The functions of administration are discharged by the whole population. The workers will smash the old bureaucratic apparatus, replacing it with a new one, consisting of the very same workers and other employees against whose transformation into bureaucrats the measures will at once be taken that were specified in detail by Marx and Engels: (i) Not only election but recall at any time; (ii) pay not to exceed that of a workman; (iii) immediate introduction of control and supervision by all, so that all may become 'bureaucrats' for a time and that, therefore, nobody may be able to a 'bureaucrat'.

3. THE STRUCTURE OF POST - REVOLUTIONARY ECONOMIC ORGANIZATION

What were Marx's views about the economic system that would characterize post - capitalist society? One factor that apparently complicates this question is that, in the

Critique of the Gotha Program, Marx clearly envisages to separate states of post-capitalist society, which have been called 'socialism' and 'communism'. There are two main differences between them; First in the first phase, distribution of the products of labour to the workers is directly proportional to the quantity of labour expended. In the higher phase, the operative principle is "From each according to his abilities, to each according to his needs". Second, socialism is characterized by the dictatorship of the proletariat. That is, the state survives as an instrument of the ruling class-this time, the working class. It is used to keep class enemies in line, notably the former bourgeoisie. The state "withered away" after a time, however. The reason for this is that post-capitalist society is a classless society, and without classes, there is little (and eventually nothing) for the state to do. When the state has withered away, communism has arrived^{2b}.

Despite these important differences, both are classless societies in that the workers control the means of production, and all able-bodied adults are workers. However, by itself this does not imply central planning, since market socialism also involves worker control of the means of production.

2b. K.Marx, Critique of the Gotha Programme (Moscow: Progress, 1971), pp.14-18, 26.

Nevertheless, Marx clearly states that the first stage of post-capitalist society will not have a market economy:

"With the co-operative society based on common ownership of the means of production, the producers do not exchange their products^{2c}".

This passage seems quite strange if one thinks of exchange as a physical phenomenon. It is, however, a social phenomenon, involving mutual transfer of ownership rights among autonomous individuals or production units. What this passage means is that there is no exchange in the sphere of production. That is, production units will not buy and sell raw materials and producer goods from one another. And, if they do not buy and sell from one another, markets cannot coordinate their production.

On the other hand, there will be exchange in the sphere of distribution since the operative distributive principle is "to each according to his labour contribution". Marx envisages workers receiving labour certificates for the quantity of labour expended (less various deductions for social spending); these certificates are then exchanged for consumer goods. That is, consumers buy products, but Marx insists that what they use is not money, since it does not circulate. That is, it cannot be used as capital. It is not as if there is no exchange in the first phase of

2c. Ibid, p. 16.

post-capitalist society, but there is no production for exchange because market phenomena do not guide production. ? Since there is no suggestion that exchange in the sphere of production will be reintroduced in the second or higher phase of post-capitalist society, it is fair to say that both stages will be systems of production for use. This implies that market socialism is not an option for Marx.

Engels is even more explicit: in Socialism Utopian and Scientific, he describes the results of proletarian revolution as follows:

'State interference becomes, in one domain after another, superfluous, and then dies out itself; the government of persons is replaced by the administration of things...Socialised production upon a predetermined plan becomes henceforth possible...In proportion as anarchy in production vanishes, the political authority of the state dies out'^{2d}.

Elsewhere in Anti-Duhring, Engel's writes, in a statement which clearly expresses his commitment to central planning:

'The seizure of the means of production by society puts an end to commodity production [i.e. production for exchange] and therewith to the domination of the product over the producer. Anarchy in social production is replaced by conscious organization on a planned basis'^{2e}.

2d. F.Engels, Socialism: Utopian and Scientific (Moscow: Progress, 1985), pp.70,75

2e. F.Engels, Anti-Duhring (Moscow: Progress, 1969), p.315.

These passages seem to clearly indicate Marx's and Engel's support for central planning. Market socialists who claim a Marxist heritage might object that, at most, these passages indicate a commitment to planning of some sort, but not necessarily highly detailed and centralized planning. A national strategic plan which leaves room for the limited operation of market forces is not explicitly ruled out by these passages. However, this reading of Marx and Engels cannot be accepted in the light of Marx's explicit rejection of markets in the previous quotation from the Critique of the Gotha Programme, and Engel's rejection of commodity production in the quotation from Anti-Duhring just cited. But apart from their explicit comments on the economic organisation of socialism, the whole logic of Marx's analysis of the market in capitalism makes it natural that he could only conceive of socialism as a society in which the market has been completely abolished. The following sections will provide plentiful evidence of this point; it thus seems irrefutable that Marx's vision of the economy of socialism may quite properly be termed the non-market planning model.

4. Mutual Incompatibility of the Commune Model and the Non Market Planning Model.

In this section it will be argued that the Marxian vision of the commune model (for the political organisation of a socialist society) and the planning model (for its economic organisation) are mutually incompatible.

Marx's model of an overall planned marketless economy is structured as one huge nation-wide factory with individual enterprises being merely its workshops. It is organised in a strictly centralised manner with the means of production controlled by the state. Central planning consists of direct (non-mediated) allocation of resources in physical units. The market has been abolished, together with the autonomy of economic units. But neither the division of labour nor scarcity has been superseded; a hierarchical industrial organisation with the strong authority of managers, planners and supervisors is maintained. It is, indeed, extended from the economic organisation of a workshop to that of society as a whole.

Also, the only source of information in a non-market system is the central plan, which must therefore supply enterprises with an entirely exhaustive set of relevant information:

- What the enterprise required to produce-its quality, quantity and product mix.
- What is the maximum permissible cost of production.
- What is the maximum acceptable level of labour productivity.

This plan clearly must be binding on all economic units. The suggests that centralism is an inevitable concomitant of this model.

But if this is the scheme of economic organisation -a highly centralist affair - It is immediately obvious that it is not possible to simultaneously have a commune type polity, i.e., a chain a self-managed political units extending to even the smallest country hamlet. The economic system is such that it would call for a hierarchical subordination of the lower elements to the higher decision making bodies; a commune type system, with its claim to ensuring self-government at a decentralized level, would mean utter economic chaos.

In fact, at a more general level, the principles animating the two models are so radically different that their incompatibility leaps to the eye. Whereas the planning model is based on the principles of centralism and

heirarchy, where the rationality of the whole must prevail over that of the part, the commune model by contrast is animated by the vision of a pluralistic, horizontally organised, self-governed political system.

In the following sections, however, the argument will be taken one step further. It will be argued that each of the two models, taken by itself, is incoherent or at any rate, likely to lead to consequences very far removed from any variant of socialism.

5. Problems of Marx's Marketless Planned Economy Model

Assuming for the sake of argument - that a polity could be found which would be compatible with the non-market economy, the argument in this section is meant to support the claim that such a non-market planned economy is, even then, shot through with insuperable contradictions. The conclusion is that a new model of economic organization has to be thought of for a viable socialism. This constructive part of the exercise is taken up in detail in the next chapter on the economic organization of a democratic socialism, where a form of "market socialist" economy is proposed.

The problems and contradictions of the marketless planed economy (MPE) are dealt with (in the subsequent sections) under the following heads:

- 1) The contradictions of the conception of individual labour as directly & fully social labour.

- 2) Political implication of MPE.
- 3) Alienation under MPE.
- 4) Information problems of MPE.

Before this, however, it is essential to examine in some detail Marx's views on the market, for it is only thus that the logic of Marx's position - in favour of non-market planning³ can be fully grasped.

5.1 Marx on the Origin and Evolution of the Market.

The idea of Marx and Engels on the origins & development of the market may be briefly summarized as follows.

Men became economic active in order to satisfy their needs. With the growth of division of labour, with each individual no longer providing for all of his needs, but later concentrating on one (or a few) type(s) of economic activity, men start exchanging, first their surplus & later on most of the products of their labour. An intermediary act appears between production and consumption - viz., exchange. In these conditions -

3. The phrase "Non-market Planning", has been used throughout with the intention of conveying the specificity of Marx's conception of planning, which involved the total abolition of the market. Alternate, modified versions of planning institutions in combination with the market are certainly both possible and desirable; this will be subject of discussion in a later chapter on the economics of democratic socialism.

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i.e., with the prevalence of division of labour - it is market exchange which transposes the private, specialised concrete labours into abstract, social labour.

Marx distinguishes between the market in pre-capitalist societies & the capitalist market. In the former, the circuit may be represented as C-M-C'; i.e., selling a particular commodity for money with which in turn another commodity is purchased. The capitalist market however, has the form M-C-M', i.e., the aim is to recover more money at the end than was invested at the beginning. But though Marx does make this distinction, and elaborates on it to a certain extent in those of his writings that deal with pre-capitalist societies, the central focus of his attention remains, of course, the market in capitalist society; so it is to that account that it is necessary to turn.

The development of production & exchange based on the market is spontaneous & automatic; the law of value regulates production & exchange by allocating both capital & labour in certain proportions into individual branches of economic activity. Capital & labour flow in the direction of those branches whose goods are in sufficient demand, & away from branches with insufficient demand. If the mass of capital and labour, increases in the branches whose goods are in greater demand is a consequent increase in production; thus,

after a time supply exceeds demand; while the opposite happens in those branches where the mass of capital & labour has diminished. The value mechanism leads though prices to competition not only within each branch, but also among branches.

In a market society, the economic activity of men is realised not directly, but in a mediated way. It is only through the market that producers can ascertain whether their work is socially useful labour, which is done by checking whether it is exchangeable. Products which cannot be realized on the market, however valuable they may be from any other point of view are from the social point of view, useless. The labour expended on their production has been expended needlessly.

These features of the market lead to contradictory social effects. On the one hand, there is economic growth & increased labour productivity. On the other hand, since producers work for an unknown market guided only by their own estimates it often leads to a waste of both labour & capital (exemplified most acutely in economic crises). The market mechanism does organise proportional production in society but it does so ex post -and necessarily through disproportions - rather than ex ante and in a planned manner.

The Marxist Critique of the Market

The Marxist critique of capitalism implies at the same time a critique of the market, since capitalism is the only known system in which the market has become the

universal regulator of the economy, and labour power and land, having themselves become commodities, have entered the market.

The Marxist critique of the market has two major sources: The first based on economic and the second on philosophical grounds. Here we shall only consider the economic critique reserving a discussion of the philosophical critique (the theory of alienation) for the chapter on the economic organization of democratic socialism.

The economic ⁽ⁿ⁾ critique of the market: Four issues can be distinguished here:

(i) Left to itself, the market inevitably generates monopoly - that is, it does not even satisfy the conditions of competitiveness for which classical political economy commended it.

(ii) The market, left to operate spontaneously, leads to a sharp increase in social inequality.

(iii) The market encourages only that economic activity which yields profits and is advantage to producers. It fails to produce goods, and services which, though needed by the community, do not serve any producers' profit motive.

(iv) The market operates spontaneously and organizes production ex post; it thus necessarily causes disharmony between supply & demand, creates economic imbalances, and with ultimately lead to

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5.2 Marx's Conception of Marketless Planning

According to the Marxist critique of the market, it is thus necessary that the ex ante coordination of a social plan replace the ex post coordination achieved by the market mechanism. The aim of such a plan, in Marx's words, would be to create "a community of free individuals carrying on their work with the means of production in common, in which the labour power of all different individuals is consciously applied as the combined labour power of the community."⁴ The way in which this is to be done is, of course, by the expropriation of private ownership of the means of production.

But here a question arises: what is to be done with the social division of labour which has not disappeared? What is the substitute for market relations between producers, as well as between producers and consumers? In short, in the absence of market linkages, how is the new economy to be coordinated?

It is instructive at this point to follow in some detail the logic of the arguments Marx advances in response to this question. His line of thought may be summarised as follows.

4. K. Marx, "Critique of the Gotha Programme", in Marx - Engels, Selected Works in One Volume (Moscow: Progress

cf Williamson

The division of labour exists not only within society but also within every economic unit. While the relations between units (i.e., inter-enterprise relations) are mediated by the market, these within units (intra-enterprise relations), are direct. Within a firm, a top down coordination exists controlling both labour and the production process according to a consciously elaborated plan. The management of economic units, as in an army, is based on hierarchy & relations of superiority & subordination. Given the specialization & compartmentalization of the work process in detail operations, the end result depends on the coordinated effort and on the united interest of all there participating in production. Only the jointly produced final commodity can be realised on the market as exchange-value.

Thus, the linkages within enterprises do not operate through the medium of market exchange but are managed directly; only the enterprise as a whole can face other enterprises as one autonomous producer faces another. While the only authority for the enterprise as a whole is the market where exchanges is carried on and the results of economic activity are realised, the authority within an enterprise is its owner, who controls and organises this unit in his interest.

Marx's idea consists precisely in extending this intra-enterprise direct marketless coordination of labour to the scale of society as a whole, to the entire

national economy. Logically, if the ownership of all the means of production is taken over by the state, then there is no reason why the relations among various enterprises should be market-mediated.

It is true that Marx did not explicitly arrive at this solution, which might be called the 'one nation, one factory' conception, and that it was Kautsky & especially Lenin who explicitly drew this conclusion; but he certainly can be considered the originator of this line of thought. Witness these lines from his polemic against Proudhon in "The Poverty of Philosophy":

"Society as a whole has in common with the interior of a workshop that it too has its division of labour. If one took as a model the division a labour in a modern workshop in order to apply it to a whole society, the society best organised for the production of wealth would undoubtedly be that which had a single chief employer, distributing tasks to the different members of a community according to a previously fixed rule".⁵.

But, it could be objected, clearly this would lead to the vastly enhanced authority of those at the top. Marx's response to this is best seen in a passage from 'Capital':

5. K. Marx, "The poverty of philosophy" in Marx-Engels, Collected Works, Vol. 6, (Moscow: Progress, 1981), p.184.

"The a priori system on which the division of labour within the workshop is regularly carried out, becomes in the division labour within the society, an a posteriori, nature-imposed necessity controlling the lawless caprice of the producers, and perceptible in the barometrical fluctuations of the market prices. Division of labour within the workshop implies the undisputed authority of the capitalist over men that are but parts of a mechanism that belongs to him. The division of labours within the society brings into contact independent commodity producers who acknowledge no other authority but that competition, of the coercion exercised by the pressure of material interests; just as in the animal kingdom, the bellum omnium contra omnes more or less reserves the condition of existence of every species. The same bourgeois mind which prizes division of labour in the workshop, life-long annexation of the labourers to a partial operation and his complete subjection to capital, as being all organisation of labour that increases its productivity-that same bourgeois mind denounces with equal vigour every conscious attempt to socially control & regulate the process of production, as an inroad upon such sacred things as the rights of property, freedom & unrestricted play for the bent of the individual capitalist. It is very characteristic that the enthusiastic apologists of the factory system have nothing more damning to urge against a general organisation of the labour of society from than that would turn all society into one immense factory"⁶ (emphasis added)

The passage certainly suggests that Marx himself had no objection to the prospect of society being turned into, to use his own words, "one immense factory". Thus it is not wrong to seek the origins of the 'one nation, one factory' conception in Marx.

6. K. Marx, Capital, Vol. 1 (Moscow: Progress, 1965), p.361.

5.3 The Contradictions of the Conception of Individual Labour as Directly Social Labour

Marx assumed that bringing all private property under the ownership of a single state would turn the concrete labour of each worker into directly & immediately social labour. He writes in the "Critique of the Gotha Programme" :

"Within the cooperative society based on common ownership of the means of production, the producers do not exchange their products: just as little does the labour employed on the product appear here as the value of these products, as a material quality 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".⁷

Engels observes even more explicitly in 'Anti-Duhring':

"From the moment when society enters into possession of the means of production & uses them in direct association for production, the labour of each individual, however varied its specifically useful character may be, is immediately and directly social labour."⁸

It is noteworthy that Marx and Engels do not assume, in the above quotations, that division of labour

7. K. Marx, "Critique of the Gotha Programme", op.cit., p.323.

8. F. Engels, Anti-Duhring (Moscow: Progress, 1969), p.340.

& scarcity have been superseded; all that they assume is the supersession of the autonomous position of both individual producers & of enterprises.

In a market system, Marx argues, where individuals are connected with each other, only through exchange, to be posited from the outset as a link in general production, another assumption has to be accepted, viz. the communal (rather than merely private) character of production determined by communal needs & purposes. This is made explicit in a passage in the 'Grundrisse':

"In the first case, which proceeds from the independent production of individuals ... mediation takes place through the exchange of commodities, through exchange-value and through money; all these are expressions of one and the same relations. In the second case, the presupposition is itself mediated, that is, communal production, communality, is presupposed as the basis of production. The labour of the individual is posited from the outset as social labour. Thus, whatever the particular material form of the product he creates or helps to create, what he has bought with his labour is not a specific & particular product, but rather a specific share of the communal production. He therefore has no particular product to exchange. His product is not an exchange-value. The product does not first have to be transposed into a particular form in order to attain a general character for the individual. Instead of a division of labour, such as is necessarily critical with the exchange of exchange-values, there would take place an organisation of labour whose consequence would be the participation of the individual in communal production".⁹

9. K. Marx, Grundrisse (Harmondsworth: Penguin, 1973), pp.171-172.

This arguments reveals clearly Marx's logic in favouring non-market planning. What is needed, Marx suggests, is not a real supervision of the social division of labour, but rather the elimination of the mutual independence of producers, a substitution of the community-type organisation of labour (gemeinschaft) for the society-type division of labour (gesellschaft) .

However, there are a number of reasons why the proposition that individual labour becomes directly social labour is not acceptable:

(i) As long as scarcity prevails, the necessity remains to exchange various products according to their production costs, as well as - in matters of distribution - to distribute incomes to keep to people according to their work. Mere nationalization, however, cannot eliminate the divergences between the individual and the social productivity of labour. If a society cares for the rational use of scarce resources, it has to possess a mechanism to compare each individual labour with the average socially necessary labour. But this clearly implies that every individual labour cannot, in an unmediated manner, become directly social labour.

(ii) Second, in Marx's model, all use-values are to be produced in accordance with a plan. There is no way of ensuring, however, that the production proportions set by the planners would accurately reflect the proportions of actual demand. This checking cannot be done fully ex ante, as Marx appeared to have thought,

but must necessarily await an ex post verification through actual consumption patterns.

What these difficulties indicate is that as long as the social division of labour & scarcity are not eliminated, the concept of direct allocation of resources (as well as the direct distribution of products) cannot work rationally. Man as producer cannot be freed from the objective necessity of verifying the work of his individual labour against the average socially necessary labour.

5.4 Political Implications of Marketless Central Planning.

An extremely important question regarding the marketless planning model of economic organizations is whether it requires, or produces, a strong tendency towards, authoratarian one party and/or bureaucratic rule, while weakening democracy. Obviously the case of the USSR & other countries of actually existing socialism cannot supply us with a direct empirical answer to this question, because central planning in these countries was from the very beginning overdetermined by the one-party state. It is, therefore, necessary to undertake an exercise in abstraction, at some distance from empirical history, in order to imagine a hypothetical system which combines a marketless planned economy with a system of

(representative) democracy, and then to ask whether or not the logic of the latter would in the long run tend to undermine that of the former.

A serious attempt to tackle this question as been made by Alec Nove¹⁰ and it is his work that may be taken as our point of departure on this issue.

Move argues that state ownership of the means of production and central planning are necessary -though not by themselves sufficient-conditions of the Stalinist type of authoratarianism . This is because no other system allow the state and party machine to

"... so completely subordinate to itself the mass of the workers, peasants and intellectuals, because state power is then extended directly to allocation of resources, and to determining incomes, employment, publication, etc.¹¹

Move goes on to make two related points:

- There is no alternative to state employment, and even the states own managers must depend on their superiors not only for their position but also for supplies of material: it is scarcely possible to do anything autonomous without a permit.

10. cf. A. Nove, "Market Socialism and its Critics", in ibid., Political Economy and Soviet Socialism (London: George Allen & Unwin, 1979), and ibid., "Socialism, Centralised Planning and the One-party State", in T.H. Rigby, (ed.), Authority and Power in the USSR (London: Macmillan, 1981).

11. A. Nove, "Socialism, Centralised Planning and the One-party State", op.cit., p.80.

- The State is the only publisher; it is all too easy for the state bureaucracy to squash dissenting opinion by cutting off their supply of newsprint.

While these do not necessarily prove that a democratic system would be subverted over time by the logic of the centrally planned economic system, it does seem to make such a condition far more likely.

Another powerful fact tending in this direction is that the functional need to integrate & coordinate a marketless planned economy is itself inconsistent with political competition, with a multiparty state. Appeals & counter - appeals to the masses, with the right to organise, would disrupt and perhaps literally lead to the disintegration of the command economy. ?

Among the Russian revolutionaries it was Trotsky who seems to have realised this clearly; in the "Bulletin of the Opposition" for November 1932 he wrote:

"If there existed a universal brain... registering simultaneously all the processes of nature and society, measuring their dynamics, forecasting the results of their interactions, then such a brain would no doubt concoct a faultless and complete state plan... True, the bureaucracy sometimes considers that it has just such a brain. This is why it so easily frees itself from the supervision of the market and of soviet democracy... the innumerable live participants in the economy, state collective, private, must make known their needs and their relative intensity not only through statistical compilation of planning commissions but directly through the pressure of demand and supply. The plan is checked and to on considerable extent realised through the market. The regulation of the market must base itself on the tendencies showing themselves in it. The drafts made in offices must prove this economic rationality through commercial calculation".¹²

And in this same article he went on to add, in a remarkably prescient vein that "only through the interaction of three elements: state planning, the market and soviet democracy can the economy be correctly controlled..."¹³ Ofcourse, Trotsky meant this to hold only for the epoch of transition, since like all Marxists of his generation he did not question the final attainability of full communism (which was to be stateless, classless, without commodity production and

12. Trotsky, quoted in A. Nove, op.cit., p.88.

13. Trotsky, quoted in A. Nove, op.cit., p.88.

money -indeed, which was the complete negation of capitalism). But in the perspective of today when full communism is itself revealed to be a bad Utopia, it is possible to see the force of Trotsky's judgement on the the necessity of the market - and not democracy alone - if the plan was to function.

To sum up : it would appear to be the case that a marketless planned economy itself tends to facilitate a political drift forwards authoritarianism & concentration of powers; even if combined with a multi -party system and representative democracy, it tends to subvert this system. At the least, even if a formal multi party system were to be retained, the version of democracy that would prevail would be a truncated, attenuated version. Some market elements seem necessary, not only for economic, but also for political reasons. What exact shape such a combination of the market with planning institutions can take is of course the theme of a later chapter in this dissertation.

5.5 Alienation Under Marketless Planned Socialism.

Marx's critique of the alienation caused by the market mechanism has been discussed already; what changes in this respect when a market economy is replaced by a planned system where centrally decided targets are binding on enterprises?

In such a system, the producers continue to be interested in the amount of their wages. Their material

interest no longer depends on whether their product finds a customer who will purchase it on the market for the satisfaction of his needs; however, it does depend on their fulfilling the plan targets. If in a market society, the producers' interest in use value was mediated through exchange-value, now their interest in use-value is mediated through the plan targets.

In fact, for the producer, there is no single aspect in which is alienation can be said to have diminished. His labour continues to have meaning for him only as an abstract wage-earning activity. If under capitalism, his wage was tied to the exchange-value of the products he produced, now it is tied to it through several plan targets. If previously his work was alienating, because he produced not directly for consumption but for the market, it is now alienated because he must produce for the plan.

There is another distinctive kind of alienation produced by the non-market planning model of socialism. This may be described as a schizophrenic split generated in each individual as a result of the conflict between his role as producer and his role as consumer. As a producer each individual has to fulfill the plan targets, while as a consumer he tries to satisfy his material needs and interest. However, for reason already discussed, the operation of a marketless planned economy is such that there is a lack of coincidence between the

output & the product mix ordered by the planners and the consumption requirements of the population. In these circumstances it would perhaps not be unjust to say that a new alienation has been added to the lot of the individual producer, in the sense that the individual's wage may not enable him obtain the use-values he wants.

5.6 Informational Problems of Central Planning

At the very heart of the problems of non-market centralized planning is a fundamental inadequacy in the Marxist idea of being able to coordinate all economic life from a single centre.

Briefly the problem is that central planning faces a fundamental barrier to its implementation in so far as the planners find it impossible to gather all the economically relevant information in one centre. This is the phenomenon of 'partial ignorance'.

Fundamentally, partial ignorance¹⁴ arises because of the fact that economic knowledge in society is necessarily dispersed among economic agents. This point had been raised by F.A. Hayek¹⁵ vis-a-vis the famous "socialist calculation debate".¹⁶ Hayek stressed the importance of uncertainty & imperfect knowledge & the

14. cf. M. Ellman, Socialist Planning (Cambridge: C.U.P., 1979), who borrows the concept from Loasby.

15. F.A. Hayek, "The use of knowledge in Society", in Individualism & Economic Order (London: Routledge and Kegan Paul, 1949).

16. This debate is taken up in greater detail in Chapter II.

consequent importance of markets as discovery processes. One result of this stress was that Hayek - and the Austrian school generally - were sharply critical not only of Marxist central planning theory, but also neo-classical general equilibrium theory, which assumed that perfect information about past, present or future economic conditions is available to all economic agents. Hayek's point about the epistemological limits of command planning is that it is structurally impossible to centralize without loss the tacit, non-propositional knowledge that is dispersed throughout society among the economic agents in their wide variety of locations or circumstances. The virtue of markets is precisely that they can tap this local knowledge. Hayek also stressed that it is this local knowledge that is responsible for technological and organizational innovation, which is precisely what gets suppressed in a planned economy.

The partial ignorance of the planners is of two types, of which the first has three causes, so that the resultant is something like the following:

(a) Ignorance created by the planning process:

(a.1) Subordinates transmitting inaccurate information.

(a.2) Some data is destroyed in the process of transmission.

(a.3) addressees of information filter out the information received.

(b) Ignorance which is unavoidable, generated by the unforeseeable changes in the economy, both internally as

well as externally induced.

(a.1) Transmission of inaccurate information by subordinates in a bureaucratic hierarchy leads to a situation where each official tends to distort the information he passes upwards to his superiors ; specifically, there is a tendency to exaggerate data that reflect favourably on themselves and to minimize those that reveal their weaknesses. Enterprise managers systematically exaggerate the input demands while underestimating the output possibility.

(a.2) data may also be destroyed in the process of transmission. A key example of this is the 'aggregation problem'. During the planning process, there is aggregation of data by commodities, enterprises and time periods: all three introduced errors.

(a.3) The political leadership in the absence of democracy may acquire a cognitive bias towards responding only to the kind of data which it likes to hear. Classical examples are Stalin's surprise at the German invasion of Sorge resulting from his filtering out of information that threatened entrenched belief patterns. Similarly Gomulka in Poland was surprised at the outcome of his policy of attempting self-sufficiency in grain, despite warnings by eminent economists such as Kalecki of its likely adverse effects. However this seems remediable by political democratization and hence may not count as a structural problem of central planning as such.

(The Polish economist W. Brus in his work,, "Socialist Ownership and Political Systems" (London: RKP, 1975) has convincingly argued that political democratization, even apart from its intrinsic value, is essential to ensuring openness of information flows in the economy, which, in turn, would greatly help the planning process).

(b) A major source of partial ignorance of the planners, however, inheres not in the planning process itself, but in the unforeseeable events that economic life is subject to. These may be either external (bad weather etc.) or internal (technological and organizational innovations etc.) but in either case they are difficult to foresee. This ignorance can of course be reduced, for instance by creating institutions which under take research into these factors, but it can never be eliminated.

Obstacles to innovation in centrally planned economics:

Even if ways are found to concentrate more and more information in the hands of the central planners, it would not get rid of another key problem: that of barriers to innovation inherent in the idea of a rational plan, which it is the task of all citizens to faithfully implement. Such a rational ex ante scheme is structurally designed to discourage change and innovation. The Soviet theorist Lerner writes:

"A disintiguishing feature of a system with centralised control is a high degree of rigidity of the structure, because adopation, to both random changes and changes caused by the evolution of the system and the environment does not take part in the individual parts of the system but only in the central control point. Centralised control permits stabilisation of a system over a long period, suppressing both fluxtuation and evoluatinary changes in the individual parts of the system without reconstructing them. However in the final analyssis, this may be damaging to the system because contradictions between the unchanged strucure of a system and change associated with evolution increase to global dimensions and may require such a radical and sharp reconstruction as would be impossible within the framwork of the given structure and would lead to its disintegration"^{16a}.

In a similar rein the eminent organisation theorist Brian Loasby has observed that

"Large organisations, if they are to prosper, may have to reject determinism in favour of free will. Delegation may be used, not to programme choice, but to encourage initiative. Amid the uncertainties and chances of war, the initiative, or lack of it, shown by subordinate commanders has often proved decisive. Nelson both demonstrated such initiative as a subordinate and fostered it as a commanders; and Slim, rating as 'one of my most helpful generals' the Japanese commander at Kohema who missed a great opporunity by conforming to his orders, praised his own subordinates for their ability to act swiftly to take advantage of sudden information or changing circumstances without reference to their superiors"^{16b}.

Central planning--the rationalist image of ex ante coordination from a single centre--thus seems to be vitiated by a informational defficulty at its core. It fails to take into account stochastic as opposed to determinster processes; it assumes a deterministic world and the possibility of perfect knowledge about that world in which

16a. cf. A. Ya.Lenner, Fundamentals of Cybernetics (New York: Norton, 1975, p. 176.

16b. B.Loasby, Choice, Complexity, and Ignorance, (Cambridge CUP, 1976), pp. 136-137.

unique plans can be drawn up for the present and future. By contrast the real world in which we live is one in which we are necessarily partially ignorant about both the present and the future and in which stochastic processes play a key role. Ellman writes

" In this respect the Marxist-Leninist theory of planning suffers from the same weakness as neo-classical price theory. This may be ironical, but it is scarcely surprising, since both are nineteenth century theories which ultimately derive from classical physics, a theory in which ignorance and stochastic processes play no part, a whose success turned it into an extraordinarily influential research programme. The Laplacean demon has long been expelled from physics. It is time to exorcise him from economics too"^{16c}.

This is an interesting and important line of thought well worth pursuing in its own right. But as far as the question of the economic organisation of a feasible democratic socialism is concerned, the question which arises is whether what is needed to overcome these deeprooted deficiencies is only a new and superior theory of planning which incorporates the realities of partial ignorance and stochastic processes.

Though Ellman himself does not explore the question, what seems clearly to be called for --- judging by the opinion of a number of theorists as well as the practical reform direction in countries of "real socialism" -- is a serious change in the institutional structure of the socialist economic itself, in the direction of what has here been called a democratic market socialist economy.

16c. cf. M.Ellman, Op.cit, p.73.

6. Problems of the Commune model

The contradictions and problems of Marx's model of non-market central planning have now been discussed at some length. It will be remembered that this has been done quite apart from the question of its lack of compatibility with the commune-type polity; for the purpose of argument it has been assumed that a polity which would be compatible with it could be provided. The idea has been to criticise the non-market model of economy organization on its own ground, for its intrinsic contradictions. It is now necessary to apply the same procedure to Marx's model for the polity--i.e., to the commune model, as we have here called it.¹⁷

6.1 Some General Observations on the commune model

The central tenet of Marxist political theory is that socialism is a transitional phase in which the state "withers away". All decisions are taken by popular democratic bodies - the commune/soviet - which enable the specialized administrative agencies & institutions of the bourgeois state to be dispensed with.

17. The discussion which follows has been to some extent influenced by M. Weber, Economy & Society, 2 Vol., (Berkeley: University of Berkeley Press, 1978), esp. pp.956-1002, and Appendix 2, "Parliament and Government in a Reconstructed Germany", pp.1381-1462, Also useful was R. Miliband, "Lenin's State & Revolution", in The Socialist Register 1970, and E.O. Wright, "Bureaucracy and the State" in Class, Crisis & the State (London: Verso, 1978).

What is worth noting is that this political theory has clearly retained analogues of the 'bourgeois' categories of 'sovereignty' and 'general will': popular democracy is the action of the people - as- sovereign. It depends on a concept of representation of the 'general will' through the politically active working class and on a notion that power resides in the people (the notion of 'people' remains crucial despite the centrality of the working class; the latter is conceived as the representatives/leaders of the whole people, the vanguard that represents the objectives of the masses as a whole). Marxism rejects the administrative apparatus of the bourgeois state. Its own popular-democratic alternative, however, is crucially dependent on the idea that the people (acting through Soviets/Communes) are capable of formulating a general will that reflects their fundamental unity. The people are conceived as one agency of decision, a unity with a single interest.

Given the degeneration of the Russian Revolution into what it is now conventional to call 'Stalinism', subsequent Marxist theorists have, naturally enough, in given some attention to examining the bases of this political theory. But the limitations of most of this kind of critique is not difficult to see- Trotskyites, for instance, have traced the roots of degeneration to the two elements of political organization absent from Marx's 'Civil War in France': political parties and the

retention of the centralized state administration. Thus, on the one hand, attention is drawn to the danger of the vanguard party separating itself from the working class and the consequent emergence of a bureaucratic stratum within it; and on the other hand, to the failure to fully, smash the old state apparatus, the retention of bourgeois institutions, bureaucratic personnel and experts. These shortcomings, in turn, are often attributed to the backwardness of the economic & political conditions of Russia.

The fundamental fallacy of this line of criticism is that in them, parties & state organizations are thought of as at best regrettable necessities imposed by the conditions of fighting the old order. Nowhere is the basic tenet of Marxist political theory itself questioned - i.e., the notion of a unitary working class (representing the whole people) capable of realizing its interests, if not betrayed by its leadership. In contrast to this mythological theory, it is necessary point to the institutional/organizational mediations in and through which alone political struggle can take place. These organizations may make claims to represent classes, but they are not classes; the specific forms of their organization is not derived from class, but is a matter of available institutional forms & means of construction. The soviets, too, were definite institutions with definite personnel & organizational

capacities, not the 'people' in action.

Classical Marxism cannot resolve such questions because within its theoretical terrain there is no space to conceptualize the autonomy of organizations. According to the classical vision, the structure of socialism is a matter of the effects of the basic relations of production and the class struggle. The resolution of political problems does not lie in specific forms of institutions, organizational practices or legislation; it must be located in the unity of action and interest of the working class. The necessities of the class struggle make all questions of organization conjunctural. Institutions, laws etc., can have no fixed forms but depend on the needs of the struggle and the creativity of the leadership & masses in responding to them. In short, for classical Marxism, questions of organization under socialism cease to be political, in the sense of being subject to discursive will-formation; it becomes rather a matter of the 'administration of things', which is always consensual and socially neutral.

A more detailed discussion is undertaken in the following sections on two crucial aspects of the commune model as enunciated by Marx and Lenin : first, the approaches to the question of bureaucracy which this model makes possible (and equally important, makes impossible), and second, the question of the kind of democracy which this model can ensure (or can not

ensure).

6.2 The problem of Bureaucracy

It is worthwhile to examine in some detail what Lenin had to say on the tendency of administrative organs to establish their own fields of power, at a distance from democratic control.

On this issue, he appears to feel the writings of Marx & Engels on the Commune are completely adequate. He stresses two devices used by the Commune to ensure control over the bureaucracy. First, it filled all posts - administrative, judicial and educational - by election on the basis of universal suffrage of all concerned, subject to recall at any time. And second, it paid all officials, high or low, only the wages received by other workers. In addition, there was, of course, the system of binding mandates for delegates to representative bodies.

What is interesting here in Lenin's account is that among the above measures, it is the second - that of paying all officials only ordinary workers' wages - which seems to absorb his attention. In a characteristic emphasis, he writes,

"... if careerism is to be abolished completely, it must be made impossible for 'honourable' though profitless posts in the Civil Service to be used as a spring board to highly lucrative posts in banks or joint stock companies,

as constantly happens in all the freeest capitalist countries". 18

But this concentration what wages the officials are to be paid deflects attention away from where the real crux of the problems lie. This is the far more complex problem of the election of all officials, the constant right of recall, and the necessity for binding mandates for delegates.

It is here that the fundamental problem with Lenin's account may be discerned: in the collapsing of the spheres of politics and administration into one undifferentiated realm, Lenin's "right of recall" will create problems that, far from ensuring democratic control over officialdom, is likely to throw the whole administrative process into chaos. The instability of office-holders will, in the first place, hinder the smooth working of an apparatus whose functions are by definition continuous. Instant recall of officials initially dissolves the administration into the people, and makes them subject to the same norms of political interest. It is, ironically, under such conditions that the curse Lenin wishes to fight - careerism & corruption - could become a real threat. Instrumental rationality is then prevented from applying in those areas where its writ must, for the sake of stability & fairness, run.

18. Lenin, The State & Revolution (Moscow: Progress, 1977), p.75.

Lenin's remedies for anti-bureaucratism, thus, are such as to ensure complete arbitrariness in a society. What, in fact, is of course more likely to happen in such situation is that the people, recognizing that instant recall serves no purpose, would be willy-nilly forced to arrive at a compromise with the bureaucracy in which the latter would be granted certain concessions and immunities due its his superior knowledge and skills. But this compromise is inherently unstable - it can tilt either to a chaotic populism or on the other hand, to a complete usurping of power by the bureaucracy. But this is not accidental; it is, rather, an inevitable result of the Lenin's theorization. What Lenin's schema fails to acknowledge is that a modern industrial society can run only if a distinction is made between the spheres of political will-formation and that of administration, and the latter sphere is conceded its legitimate and distinct functions. Only then is it possible to determine the boundaries of the bureaucracy's power and to construction political control procedures to successfully police those boundaries.

6.3 The Question of Democracy in Socialism : A Society Beyond Politics?

It 'State & Revolution', Lenin discusses the forms which democratic politics would take in socialism; this is articulated by way of a critique of the parliamentary form which prevails in bourgeois democracies.

Lenin begins his critique by citing Marx's prays of the Paris Commune as a working body as distinct from a merely parliamentary one, both executive and legislative at the same time. Lenin then criticizes the existing bourgeois democracies for having a politics where,

"... the real business of state is performed behind the scenes and is carried on by the departments, chancelleries and general staff. Parliament is given up to talk for the special purpose of fooling the 'common people'".¹⁹

But, Lenin continues, this same problem has begun to infect the Soviets as well:

"The heroes of rotten philistinism... have even succeeded in polluting the Soviets after the fashion of the most disgusting bourgeois parliamentarianism, and in converting them into mere talking shops. In the soviets, the "socialist" Ministers are fooling the credulous rustics with phrase-mongering & resolutions".

Lenin has an alternative to this : this is the Commune which will replace the corrupt parliamentarianism of capitalist democracies with, for

19. Lenin, op.cit., p.46.

the first time in history, a genuine democracy. In the Commune, writes Lenin, freedom of opinion will not degenerate into deception because

"... the parliamentarians themselves have to work, have to execute their own laws, have themselves to test the results achieved in reality, and to account directly to their constituents. Representative institutions themselves remain, but there is no parliamentarianism as a special system, as the division of labour between the legislature & the executive, as a privileged position for the deputies".²⁰

Already a major problem can be discerned in Lenin's account of the Commune. It appears that the parliamentarians of this new, Soviet system have also to 'execute their own laws'; there is clearly no distinction, as far as Lenin is concerned, between the nature of the 'representative institutions' and any other branches of the state apparatus. But this conflation of the role of the legislature with that of the executive - as well as the judiciary - collapses one of the essential distinctions without which no modern state apparatus can work. The elected deputies are being asked to be representatives, ministers, civil servants &

20. Lenin, op.cit., pp.47-48.

judges at the same time. Lenin accepts that there are dangers 'of concentration of power inherent in the roles of a representative' of a civil servant, or of a minister; but the answer he proposes to these several dangers is vacuous: it is to ^{con}flate all these roles. It is not perhaps unfair to say that this is a formula for total arbitrariness where the norms & procedures proper for legislative deliberation would be inevitably confused with those of executive as well as judicial action.

A second, even more important, problem with Lenin's account is that it leaves no room for the concept of an organized opposition : Delegates are supposed to be simultaneously representatives, legislators and executives. In this system, there can be no role for a delegate who wishes to disavow responsibility for legislation with which he disagrees but demands the right for his opposing arguments to be heard. Indeed, in Lenin's scheme, it would be precisely such delegates who would be guilty of converting parliament into a 'talking shop'. What this scheme thus rules out from the very beginning is the possibility of an opposition party/parties, as organizations expressing diverse views & orientations. The mythology of a unitary 'people' whose 'interest' cannot be internally divided legitimates this scenario of a society beyond politics. Politics as something which takes place through the

discursive articulation of opinions in a public sphere - the full flowering of which might have been expected precisely in a socialist society, freed from the constraints of the rule of capital - is thus, in the scheme of 'State & Revolution', treated as meaningless, a non-sense. It is usual to impute this end-of politics model to one party rule but it is instructive and far more important to see it in the heart of that very scheme --the Commune model of 'State & Revolution' - which is customarily taken to be the very antithesis of the centralist model.

Federalism Vs Centralism in 'State & Revolution'

An important means by which democracy may be ensured in a complex industrial society is federalism; that is, a scheme in which territorial regions have a degree of autonomy vis-a-vis the central decision making bodies. It is important, then, to ask what Lenin thought of federalism. For this the appropriate text is the section entitled 'Organisation of National Unity' in Chapter III of 'State & Revolution'.²¹

In this section, Lenin starts by criticizing what he alleges is Bernstein's misreading of Marx's comments on the Paris Commune. (Bernstein had claimed that these could be interpreted to mean a defence of federalism). Lenin's critique is scathing; he argues that,

21. Lenin, op.cit., pp.50-53.

"Federalism as a principle follows logically from the petty-bourgeois views of anarchism. Marx was a centralist. There is no departure whatever from centralism in his observations if the proletariat and the poor peasants take state power into their own hands, organise themselves quite freely in communes, and unite the action of all the communes in striking at capital, in crushing the resistance of the capitalists,.. won't that be centralism ? Won't that be the most consistent democratic centralism and, moreover, proletarian centralism ?"²²

Lenin insists that the commune-state will be centralized & unitary, and he conceives this process as occurring purely voluntarily.

"Bernstein simply cannot conceive of the possibility of voluntary centralism, of the voluntary amalgamation of the communes into a nation, of the voluntary fusion of the proletarian communes, for the purpose of destroying bourgeois rule and the bourgeois state machine. Like all philistines, Bernstein pictures centralism as something which can be imposed and maintained solely from above, and solely by the bureaucracy and the military clique".²³

But the crucial question that remains unanswered is : what if this voluntary amalgamation of the particular wills into the general will is not forthcoming ? What institutional mechanisms and procedures for the political mediation of divergent perceptions are there in this model ? The answer can only be - none whatsoever.

22. Lenin, op.cit., pp.52-53.

23. Lenin, op.cit., p.53.

7. Conclusion

Marx's legacy on the question of the institutional organisation of a socialist society is thus irredeemably contradictory. Neither marketless planning combined with a commune-type polity nor any of these taken with suitably altered versions of the other are viable options for a socialist society.

One point remains to be considered. Insofar as the results of this examination of the value of Marx's legacy (vis-a-vis the question of the institutional arrangements of a democratic socialism) has been primarily negative, it may be pointed out that it is of little constructive value for those trying to seriously re-think this question. The answer to this is very simple: which is that it is possible to say this only after this exercise in negation has been completed. The socialist tradition is littered with examples when, faced with the bleak reality of actually existing socialism, a thinker (or party) has chosen the easy escape route of arguing that the image of an ideal socialism is to be found in Marx if only we looked for it carefully enough. Most often, faced with the authoritarian tendencies of the central planning model, it is the commune model which is held up as the 'real Marx' (or in the case of Lenin, the 'real Lenin'; in this case the judgment is based on 'State & Revolution', which of course is the text which is the paradigmatic

presentation of the commune model). One example - many others could be cited - is the Italian theorist Lucio Colletti, who, praising the radical democratic inspiration of Lenin's 'State & Revolution', holds it up as a critical counterpoint in the name of which, he claims, it is possible to launch a critique of actually existing socialist societies. ²⁴ Not for a moment does he entertain the suspicion that what he holds up as the ideal might itself be an unworkable and deeply contradictory alternative.

The commune model has had more practical consequences than this. The well known historian of the European labour movement, Georges Haupt, has, in a lucid essay, traced the repeated revivals of the commune idea in various parts of the world at various times, (including China during the Cultural Revolution).²⁵ Naturally all these have ended in failure. Instead of holding them up as high points of socialist achievement, it is necessary to recognize that the commune model itself is a goal which, even without the intervention of external pressures, is fraught with irremediable contradictions.

24. L. Colletti, "Lenin's 'State & Revolution'", in ibid., From Rousseau to Lenin (Delhi: OUP, 1978).

25. G. Haupt, "The Commune as symbol and Idea", in ibid., Aspects of International Socialism, 1871 to 1914 (Cambridge: CUP, 1986).

Once Marx's vision is itself revealed to be deeply contradictory, such options can at least be recognized for what they are: mere escapes routes helping only to divert attention away from the need for a serious overhaul of our very conceptualization of socialism. It is, of course, a sterile rationalism to believe that the correctness of one's guiding intellectual ideas automatically ensures the correctness of political action. But, on the other hand, if these guiding ideas are themselves deeply fault-ridden, historical practice itself will in the long run be deeply impoverished.

CHAPTER II

ECONOMIC ORGANIZATION OF DEMOCRATIC SOCIALISM

1. The Market Socialist Economy : A First Approach

A skeletal outline of the economic organisation of a democratic socialism would be as follows.¹ It is conceived as an economy in which each productive enterprise is constituted as a workers' co-operative, which, however, does not own its capital in the conventional sense, but leases it from an outside investment agency. Each enterprise makes its own decisions about products, methods of production, prices, etc., and competes in the market. The net profits of each enterprise form a pool out of which workers' incomes are paid. Each enterprise is democratically controlled by those who work for it, and it is they who decide how to distribute income within the co-operative.

A somewhat more detailed picture would include the following features:

1. The worker - managed firms hire capital from the investment agency at a fixed rate of interest

1. This basic model draws on D. Miller, Market, State and Community (Oxford: Clarendon Press, 1989) and B. Horvat, The Political Economy of Socialism (Oxford: Martin Robertson Co. Ltd., 1982).

and subject to certain conditions. They have rights of use in this hired capital, but not full rights of ownership. This means that the value of their fixed assets must be maintained: capital cannot be treated as income, nor loaned to other enterprises.

2. There must also be bankruptcy rules: enterprises that cannot provide their members with a subsistence income must, after a certain period of time, be wound up, with the workers transferring to other co-operatives.

3. Each enterprise must maintain its democratic form. It can expand but only by taking on additional workers as full members with equal voting rights; that is, it is not permitted to hire wage labour.

4. Subject to this proviso, however, co-operatives may adopt whatever internal management structure they prefer: executive committees, elected managers, etc.

5. As far as the labour market is concerned, workers have a free choice of which enterprise to join; equally, enterprises can choose whether to take on new members or not. Firms cannot dismiss workers at will, but workers can choose to leave if they wish. These provisions are together expected to lead to a labour market in which pay differentials within each co-operative are expected to reflect the return to

different skills and responsibilities across the economy as a whole. However, a co-operative might opt to depart from this pattern by paying all its members equally.

6. The task of the investment agencies (which lease out socially owned capital to the enterprises) is, as custodians of social capital, to strike a delicate balance between conflicting requirements. On the one hand, they must allocate capital efficiently, investing extra money where the marginal returns are likely to be highest. On the other hand, they have to take account of wider social factors, such as the uneven development of regions & employment requirements. It is also important that the investing agencies do not acquire power over the co-operatives by virtue of their function of leasing scarce capital, for then we are back to the same scenario of intervention from above which it is the aim of market socialism to avoid. All this means that the question of how the investment agencies should be constituted (whether as public bodies, private banks, etc.) is a key question for market socialists. This question will be considered more fully later. (Note)

7. It should go without saying that this is merely a simplified first model whose purpose is to bring out the distinctive principle of MS : the idea of workers' co-operatives using socially owned capital competing in a market.

2. Towards a More Complex Model of the Market Socialist Economy

This model presented above is, as already stated, only a first approximation, and it leaves out of account a number of crucial questions. Of central importance among such questions are those raised by the so-called "Socialist Calculation Debate". This debate has already been briefly referred to (in the first chapter) in considering the informational problems of central planning. But it is necessary to return to it because a number of eminent East European economists have recently given accounts of the reasons for the failure of economic reforms in East Europe (especially Hungary and Yugoslavia, where the reform process was carried farthest, though in quite different ways) which end up almost about completely vindicating the position of von Mises and von Hayek in the calculation debate. This, for instance, is the case with a recently published work by the Polish economists, W.Brus and K.Laski, as well as the recent writings of the Hungarian economist J.Kornai.²

2. W. Brus, and K. Laski., From Marx to the Market : Socialism In Search of an Economic System (Oxford : Clarendon Press, 1989) ;J. Kornai, 'The Hungarian Reform Process : Visions, Hopes and Reality', Journal of Economic Literature , Vol XXIV (Dec 1986), pp.1687-1737. In a more recent work, The Road to a Free Economy (New York: Norton, 1990) Kornai ends up openly advocating privatisation as the only solution open to East Europe.

With such a theoretical concession to the Austrian position, it comes as no surprise that while Brus and Laski do lend their support to a highly qualified form of market socialism, their version of it hardly appears to be different from welfare capitalism of the Swedish type.³ Their work is, of course, valuable for its sobering effect in facing up to the complexity of the tasks of evolving a viable market socialist economy, compared to the more simple-mindedly optimistic visions of D. Miller or B. Horvat or even Alec Nove. However, it will be argued here that it is nonetheless seriously misleading for at least two reasons :

1. What Brus & Laski (and Kornai) call market socialism entirely leaves out of account the political, legal and social conditions (or concomitants) and concentrates exclusively on the economic terrain. In the case of Brus, this is particularly disappointing, because in an earlier major work,⁴ he had explicitly made - more clearly than most other economists - the point that further economic socialization was possible only through political democratization. Certainly this earlier work could be

3. see, W. Brus and K. Laski, op.cit., "Concluding Remarks", pp.150-152.

4. W. Brus, Socialist Ownership and Political Systems (London : Routledge & Kegan Paul, 1975)

said to have been somewhat simplistic in assuming away the existence of very serious economic problems even if political democratization could be achieved. But this can be no justification for going to the other extreme. These issues will be taken up in detail in the next chapter, which is concerned with the political and legal organisation of a democratic socialism; so we shall not pursue this point here further.

2. The second point, however, bear squarely on the economic issues themselves. It is that Brus and Laski as well as Kornai have swung too far over in their re-evaluation of the calculation debate. It is one thing to claim that a completely marketless centrally planned economy is inefficient and indeed unworkable. It is quite another to claim that the concomitant account the Austrian School offers of the workings of a capitalist market economy and its putative advantages is itself correct. Once such theoretical concessions are made, then logically there can be no historical alternative to capitalism (and that too in the aggressively free-market version championed by the Austrians). In fact, Brus and Laski's book is fraught with the tension of trying to find some half-way house between state-bureaucratic socialism and capitalism; but this, it may be plausibly argued, is made extremely difficult by their initial acceptance of the Austrian account of the market.

It is to a consideration of the Austrian School, then, and in particular to the work of F.A. Hayek, its most eminent proponent, that it is now necessary to turn.

2.1 Hayek on the Market

The crucial point on which Hayek insists in his defence of the market is that (economically relevant) information exists in society in a scattered form, dispersed among many agents. The problem, then, is to find a mechanism which will convey to each agent the information he must possess in order to effectively adjust his decisions to those of others.

It is the price mechanism which is presented by Hayek as the solution to this problem of the dispersal of information in society. It communicates between actors who are otherwise separated the information that they need to coordinate their economic activities, because price is a numerical index of the changes in the relation between the supply and demand for goods. And - so goes Hayek's claim - information about such changes is all that is relevant to economic agents for them to be able to adjust their actions accordingly.

Hayek uses an example to illustrate his point which is worth reproducing- Assume that a new use of tin is discovered or a source of tin is eliminated: tin becomes more scarce, supply falls relative to existing demand, and the

price of tin rises. This change in price provides all the information about the changes in the supply of tin that is relevant to enable actors to suitably adjust their plans. It is not necessary for consumers to know, for instance, why the tin has become more scarce; all that they need to know is,

".....that some of the tin they used to consume is now more profitably employed elsewhere and that in consequence they must economise tin. There is no need for the great majority of them to even know where the more urgent need has arisen, or in favour of what other need they ought to husband supply. It only some of them know directly of the new demand, and switch resources over to it, and if the people that are aware of the new gap thus created in turn fill it from still other sources, the effect will rapidly spread throughout the whole economic system and influence not only all the uses of tin but also its substitutes and the substitute of these substitutes, the supply of all things made of tin, and their substitutes and so on; and all this without the great majority of those instrumental in bringing about these substitutes, knowing anything about the original cause of these changes. The whole acts as one market, not because any of its members surveys the whole field, but because their limited individual fields overlap so that through many intermediaries the relevant information is communicated to all".⁵

The price system, in communicating all relevant information, acts to coordinate the separate actions of different people. The overall effect of the mechanism is

5. F.A. Hayek, "The Use of Knowledge in Society", in Hayek, Individualism and Economic Order (London : Routledge & Kegan Paul, 1949), pp.85-86.

that the whole of society acts in the way it would have acted, had it been directed by a single mind in possession of all information dispersed throughout the economy.

Hayek's account of the market indeed contains a rational kernel. The market does transmit information to independent economic actors about changes in the relative scarcity of different resources, and consumers and producers do respond to these changes by changing their planned production and consumption of these. But the key question here is : Does the information which is communicated (as described above) lead to the coordination of the activities of economic agents ? This question may be divided into two:

(i) Does the price mechanism communicate all the information that is relevant for the coordination of actions?

(ii) Is the communication of relevant information not only a necessary, but also a sufficient, condition for the coordination of actions ?

It will be argued here that the answer to both these questions is in the negative.

2.2 Problems with Hayek's Characterization of the Market.⁶

In this section both the questions posed above will be considered in succession.

(i) In any competitive economic system, there is a disincentive to communicate information between actors who are in competition. While co-operation through mutual communication might be beneficial to both parties, if one co-operates and the other then refuses to do so the latter benefits. In this situation, the general rational course of action will be for all agents to act non-cooperatively.

By itself, however, this general disincentive to communicate information does not automatically imply a problem of co-ordination. It remains to be shown that the information which the market fails to communicate is information that is relevant to the coordination of actors.

In a market economy, there are at least two kinds of information that competitors will try to keep from being communicated; first, scientific and technical information, and second, information about their plans for the future. Both of these are, quite clearly, relevant information; it is information that agents need to co-ordinate their actions. There are some ways available within a market framework to get around the

difficulty posed by the private character of scientific and technical information - e.g. the maintenance of such knowledge in a publicly accessible form (though Hayek's analysis does not - indeed, cannot, consider these). Hence the argument here will focus on the second category - viz, actors's plans regarding their future.

Actors in a market economy make plans concerning future production keeping in mind not demand at the present time t_0 , but the expected demand at same future moment t_1 , when their products reach the market. The information the price mechanism communicates, however, is that of the relation of supply and demand at t_0 . This information is certainly not all the information that is relevant in order that actors' plans are coordinated with those of other actors, because the relevant information is that which will enable the actors to predict demand at t_1 . A major component of the information required for such a prediction is that of the plans of other producers; and this information is precisely what the market, by virtue of its structure as a competitive system, fails to provide.

This point provides one of the major bases (though not the only one) of Marx's analysis of economic crisis in the market. His account may be reformulated as follows: When there is an increase in demand against supply for same good at t_0 , producers and consumers respond by increasing production and decreasing consumption. Each is responding to the same signal - the

change in price. However, each agent acts independently of the response of other producers and consumers. The result is that, at t_1 , when the plans of different actors are realized, there is an overproduction of goods in relation to effective demand for them; goods cannot be sold. There occurs a realization crisis; producers cannot realize the value of their products on the market. Given this overproduction, demand falls against supply; there is a slump, this leads to a rise in demand against supply, production expands, leading to another boom, and so on. It is important to note here that the problem is not one of agents making a number of mistakes in the prediction of future demand which are causally unrelated to each other. Rather, it is that the market transmits the information to affected agents, and this information is such that the rational strategy for each agent is to expand production or contract consumption, while it is not rational for all agents to act in this manner collectively. In a market economy, the simultaneous distribution of information about supply and demand at t_0 and the suppression of mutual exchange of information concerning planned responses lead to overproduction.

6. This section draws on G. Hodgson, Economics & Institutions (Cambridge : Polity Press, 1988); D. Elson, "Market Socialism or Socialisation of the Market ?", New Left Review No.172; J. O'Neill "Markets, Socialism and Information", Social Philosophy and Policy 6 (1989).

These small-scale booms and slumps described above grow into large-scale general crises through-ironically enough-precisely the kind of interconnections Hayek describes in this example of the production and consumption of tin. The demand by industrial producers for goods such as machinery or raw materials such as tin are at any point in time based on their expectations concerning demand for their products at some future point in time t_1 . But, as noted above, these are necessarily mistaken; and the price mechanism conveys not information, but misinformation. The failure of coordination in one area thus spread throughout the whole system.

(ii) It is now necessary to turn to the second question, viz. whether the communication of relevant information constitutes not only a necessary but also a sufficient condition for the co-ordination of actions. Hayek fails to realize that even if an actor possessed the necessary information about the plans of other actors (something which has been seen, in the above analysis, to be impossible-but assuming it for the sake of argument), it would not itself enable them to act so that their actions were coordinated. That is, even given mutual knowledge of a projected lack of coordination, no adjustment by any particular actor of his/her actions will necessarily lead to coordination. There must be some explicit mechanism whereby producers adjust plans in order that activities be coordinated.

But this is precisely what the market, as a competitive order, cannot have and for the same reason that it blocks the movement of information; which is, that given the self-interested nature of all agents, the competitively stable strategy is the non-cooperation of all with all.

Clearly, if the above account is correct, then the preliminary model of a market-socialist economy outlined in this chapter will also be plagued by these problems, because the problems of coordination that arise in market economies will not be solved by transforming privately owned enterprises into workers' co-operatives. Co-operation within enterprises does not entail and, in the context of a market economy, would not result in co-operation between enterprises.

Hence, there is clearly a need to go beyond the first version of a market socialist economy outlined earlier, towards a more complex institutional arrangement. Given the limitations of space, we will restrict ourselves to examining in some depth what appears to us to be one the most far-reaching set of suggestions made so far in this direction, by the British economist Diane Elson.⁷

7. D. Elson, op.cit. Elson's work, as she herself mentions, was stimulated by the debate between E. Mandel and A. Nove conducted over a number of issues of the New Left Review; but her work succeeds in going far beyond the frameworks adopted by both.

3. Towards a "Socialized Market"

The distinctiveness of Elson's proposals lie in the creation of what she calls "socialized markets", which possess two major characteristics. First, a socialized market is one in which the market is made by public bodies (which are financed out of taxation of enterprises and households). Second, it is a market in which there exist a number of public information networks with open access to every citizen; these networks, too, are to be funded by taxation.

(i) Public bodies as market makers : These may be called Price and Wage Commissions; they are meant to prevent the private appropriation of information which occurs when markets are made privately. Hayek and others of the Austrian School, while correct in their stress on markets as the best means for tapping dispersed information, have conveniently omitted discussion of the ways in which privately created markets fragment information. Profit-seeking enterprises linked by the cash-nexus have an incentive to conceal information—e.g., about their productivity, costs of production, technological innovation. A socialized market would permit the strength of the market mechanism, while socializing for the common good the advantages that flow from these strengths.

To these ends, three kind of activity would be undertaken by the Price & Wage Commission: (a) providing

physical facilities for the interchange of information; (b) enforcing the public disclosure by enterprises of information which is usually kept secret; and (c) guiding the formation of wages & prices.

(a) The first function is the creation of physical facilities for the exchange of information about terms of sales & purchase between enterprises, and between enterprises & households. Such facilities, in an advanced industrial economy, could mean an electronic marketplace; these are in any case growing up in fragmented fashion under capitalism. A publicly created electronic market place would have many advantages in terms of economies of scale in information gathering & processing. Enterprises would be charged for use of these facilities, but it would in any case be cheaper than each enterprise undertaking its own, fragmented search for information.

As far as the content of the information to be gathered is concerned, the main aim to be kept in mind here is that of making the process of price formation by enterprises transparent, subject to public checks. Enterprises would be required to submit information on unit costs so that the relation between production cost & selling prices could be publicly evaluated, vis-a-vis other enterprises.

But enterprises might not voluntarily agree to part with such information, for while market socialism

is indeed distinct from market capitalism, yet no automatic harmony between the overall social interest and the interest of each (worker-managed) enterprise can be a priori taken for granted. This leads us to the second function of the price & Wage Commission, which would be :

(b) To enforce the disclosure of information which enterprises normally keep secret, as a precondition for entry into the publicly provided market place.

(c) The third activity would be to guide the formation of prices & wages. The aim is not to overtly police every transaction and thus return to a version of the command economy, but rather to generate price & wage norms interactively on the basis of information from both buyers & sellers. A publicly provided electronic system could record the terms of all transactions made. This information would make public all departures from the norms. The publicness of these norms would automatically ensure - without need of overt central imposition - that in most transactions buyers & sellers themselves fix prices & wages. It also leaves fully open the possibility of deliberately moving away from these norms, in case special needs arise - e.g. an enterprise wishes to have some goods processed in a very short space of time from another enterprise; but the strength of this system is that both parties would do so in full awareness that there exists a norm.

(ii) The second major feature of socialized markets are publicly organized markets of buyers & sellers. These too would have, as in the case of the Price & Wage Commission, the three functions of facilitation of information exchange, enforcement of information disclosure, and an interactive role; but this time with regard to information relating to the design and specification of goods & processes. Such networks would enable some of the interdependencies of the decision makers to be evident before decisions are taken, so that decisions could be made in a way that keep in mind the implications for others, as well as for the decision maker.

These networks would also partake of a decentralized social planning process where the implication of the investment plans of different units for each other could be considered before finalizing the plans. In interaction with a national planning agency, such networks could help generate an overall strategy for the national economy. This is of prime importance because market socialism does not mean that no form of central planning is required for the economy as a whole; there still remains -- and acutely -- the need to identify which sectors are to expand and which to decline, the balance between investment and consumption, etc. But of course overall planning in market socialism would not be implemented by centralized allocation of

national resources and output parameters for each enterprise; in this respect techniques may be learnt from Japanese and French "strategic" planning.

These general points would have to be more specific according to whether what is being considered is the market for labour, the market in producer goods (goods bought and sold between enterprises), or the market in consumer goods. Elson offers detailed suggestions for all three; our purpose here being limited to bringing out the essential logic of her line of argument, we shall omit discussion of the producer goods market and deal briefly with the labour market and the consumer goods market.

Socializing the Labour Market

It would be the task of the Wage Commission to provide facilities for the interchange of information about job vacancies and job seekers. Such facilities exist in existing capitalist economies, but, crucially, they do not provide comparative information that would enable employees to evaluate the terms and conditions of job offers.

To serve this function effectively, the Wage Commission would require not only mandatory notification of vacancies but also information from enterprises on earnings and conditions of those in employment. To the objection that this implies creating a large bureaucracy, the answer is that this would merely replace a whole host of agents who already exist in

capitalism to serve similar purposes, but who serve to fragment and conceal the information which in this scheme would be made public.

The Consumer Goods Market

The specificity of the consumer goods market is that the buyers in this market are households (whereas those in the labour market and the producer goods markets are enterprises); households lack the resources or the breadth of knowledge of enterprises. The key aim of a socialized consumer goods market would be to put more knowledge in the hands of households.

An important part of this is enabling households to see how the price of a good in the shops is formed - - i.e. rendering the price formation process public. This can be done by information provided by the Price Commission -- how much goes to each activity contributing to the total price, how much tax or subsidy is incorporated in the price, etc. When prices rise it is households that suffer; but so far, neither in capitalism nor in statist socialism were the reasons for such rises made clear. This arrangement promises to do precisely that.

Another possible measure is the setting up a Consumer Union to act as network coordinator between enterprises and households. It is possible to envisage a number of important functions for it:

- To provide information about the quality of goods and services;
- Going beyond this, it would also provide information about the conditions under which goods and services are produced, and their environmental implications. Goods produced under "best practice" conditions -- from the point of view of ecology or equal opportunities or humane working conditions - - would be highlighted. This would educate households to take a wider view about the implications of their purchases rather than simply looking for the cheapest way of fulfilling their immediate needs; it would make the point that there are inter-dependencies between their role as consumers and their role as producers, and that the short-run "best buy" might have damaging unintended consequences in the long-run.

Again, to the objection that the Consumer Union would itself become an intensive bureaucracy, the answer is to point to the enormous resources spent in capitalist economies on market research and advertising, all of which could be redeployed to the Consumer Union.

4. Ensuring Publicness in the Economy

One reason why the line of thought embodied in such suggestions for "socialising the market" are of special significance is because it provides some answers to the problem of introducing into economic life what is

familiar to political theory - and in particular, democratic theory - as the principle of the "public realm" or the "public sphere".⁸

It is usually agreed upon by socialist theorists that publicness is central to the idea of democratic socialism; however, the sphere of application of this principle is usually restricted to the polity. The democratisation of economic life is normally conceived of in terms of workers' self-management at the enterprise level combined with a democratically elected assembly incharge of certain key overall decisions at the macroeconomic level. However, this leaves the whole range of processors as economic life - price and wage formation, the causes of unemployment, etc. - as opaque as under capitalism. Of course, the systematic exploitation and injustice of a capitalist order is removed; but the economy remains, in crucial respects, a realm whose workings, as far as ordinary citizens are concerned, is thoroughly obscured.

Elson correctly starts from the impossibility - as well as the undesirability, insofar as it tends to generate an authoritarian politics - of complete ex ante planning from a single centre. Accepting this rational

8. Elson herself, however, says nothing about the possibility of this line of interpretation of her work.

kernel of the Austrian critique, but rejecting their one-sided laudatory account of markets, Elson suggests socialising the market through institutional mechanisms that ensure openness of information (for example, about employment conditions, wages and prices - this has been discussed in detail).

This seems to show an entirely new way of ensuring publicness in the economic realm, precisely because it does justice to the specificity of economic processes where, unlike the polity, it is not possible to ^{have} a voting mechanism for every decision. Elson's suggestions for informational openness show a way out of this problem, and indeed, for the first time, truly make it possible for overall rational democratic control over the economy to be ensured at the same time as the opacity, the fetishistic character of economic life is removed. It is not hard to see this as a significant advance over other theories of market socialism.

5. The Organisation of Capital Investment

The question of how decisions about capital investments are to be made is obviously crucial to the economic organisation of a market socialist economy. The problem here arises because if would-be producers have to directly depend on the state for capital, then it is as easy for the state to curtail their freedom as it is under a command planning system. There is thus a need for institutional mechanism that can avert this danger,

without, however, abandoning the public character of investment decisions. ⁹

One way to do this is to have a plurality of investment agencies, with firms being free to approach any of them for capital. This plurality could be institutionalised in the shape of several national banks (and their branches in different regions) competing with each other to lend to enterprises. These banks would be given some broad instructions about their terms of operation by the state, but beyond that they would be free of interference from above, and substantially free to choose which investments to make. The autonomy of the banks would in turn ^{protect} particular enterprises against interference by the state.

At this point, it is necessary to ask two questions: first, what the general instructions to the banks might be; and second, how they are to be internally organised so as to best discharge their functions.

The General Instructions to the Banks

The general tasks the banks would be expected to fulfil would be the following:

9. cf. D. Miller, op.cit pp.309-312.

- To pay attention to the anticipated profitability of enterprises that apply to them for funds; In this, their task would be to simulate a capital market.
- To help in the setting up of new enterprises instead of the expansion of old ones. Each bank could have a research department specially engaged in this task, researching potential markets and bringing together potential enterprise members.
- Investment should also be sensitive to the special needs of the region in which the investment is being made - to its employment structure, environmental resources, etc.

The Internal Organisation of the Banks

The above are tasks of considerable complexity and moreover may often be in conflict with each other. This has implications for the ownership structure of the banks: they are best constituted as public bodies manned by salaried officials. There must, of course, be some supervision of their activity; for instance, in the shape of an annual review by a Select Committee of the National Assembly,. But beyond this, the banks should be left free of political interference.

But individual enterprises must also be protected from undue control by the banks. At the least, the legal framework should be such that each cooperative is legally a self-governing enterprise, and the bank is not able to dictate its policy or impose personnel on it.

However, apart from the legal framework, there is a substantive guarantee of independence insofar as a cooperative can transfer its borrowings from one bank to another.

This discussion of the question of capital investment points to the fact that the state in a democratic socialist society must be a constitutional state. This will be dealt with in detail in the next chapter (on the political and legal organisation of a democratic socialism); here, it will suffice to state briefly its main implication. This is that the socialist state, rather than,

"..... aiming at unitary democracy, with every decision potentially subject to the popular will, should hive off major areas of decision to autonomous bodies - subject, of course, to guidelines of the kind discussed above in relation to investment. In this way it is possible to avoid each particular decision becoming directly political, which is desirable both from the point of view of making good and consistent decisions and from the point of view of not overloading the capacities of citizenship" 10

6. The Question of Entrepreneurship

As should be clear from the discussion so far, the general aim of a market socialist economy would be to secure the allocative advantages of the market with respect to investment while eliminating its

10. David Miller, Market, State and Community, (Oxford Clarendon Press, 1989), p.312.

distributional injustices with respect to income. However, at this point another classic objection of the Austrian School must be dealt with: that without private ownership, entrepreneurs will not be sufficiently motivated to innovate, nor sufficiently responsible in the handling of assets entrusted to them.

The answer to this objection is not far to seek. In a capitalist economy entrepreneurs are indeed motivated by the possibility of personal gain, but there is no one-to-one link between entrepreneurial innovation and financial gain. There is a split between owners and entrepreneurs; the former can hire entrepreneurial skill in a competitive market. The same devices that capitalism uses in solving the 'Principal/agent' problem would also be available in market socialism.

Concretely, the publicly owned banks/investment agencies could very well hire investment specialists or managers. It is of no great significance that a manager would not be able to claim the full financial gain from the results of his entrepreneurial skill, because neither does the professional in a capitalist economy today. In any case, such experts could well be offered wages above the average rate of pay if this was found necessary to their motivation; in a generally equalitarian society fairly small differences of pay could be highly valued by some individuals. Of course, a

relevant question here is whether the recourse to such differential economic rewards would recreate class divisions. However, if the variation of income is small, and is prevented from being invested in ownership of productive property --as they will be in this pattern of economic organisation --then this could permit the element of incentive without allowing the emergence of class-like divisions.

7. Political Implications of a Market Socialist Economy

7.1 Market Socialism and Political Freedom

It is clearly not possible to preserve freedom of expression unless there is a market in books, newspapers and the media. In particular, this is impossible in a command economy of the Soviet type, where all printing and publishing enterprises are under direct state control; even without overt political censorship, the very pattern of economic organisation of the material resources needed for the creation of a public sphere is such as to militate against any kind of pluralism.

Of course, at the other extreme in a market capitalist regime, the media is dominated by a few giant corporations. A market-socialist economy, however, would be so designed as to encourage the growth of many small enterprises publishing books, periodicals, etc.

A legitimate question which might arise in this context is: how is it to be ensured that, since investment under Market Socialism is a public function, dissenting groups do not find themselves starved of capital by the investment agencies? While the detailed response to this will depend on how the investment agencies are constituted, two general points are worth noting.

(i) First, whatever their precise constitution, the agencies' task is to allocate capital on the basis of the commercial viability of enterprises. To discharge this function, there is no need to intervene in the content of what is being produced.

(ii) Second, even if political pressure is exerted to deny the dissident collective funds, the market context (unlike the Soviet command economy context) makes it likely that they can still be published in some form.

Of course it goes without saying that the market socialist organisation of the economy, while necessary to ensure political freedom, is by no means sufficient for it. There remains always the possibility of overt suppression; but first, this is, as just discussed, made much more difficult due to the economic organisation of Market Socialism; and second, this can happen in any

type of economy and can only be tackled by direct political means.

7.2 Market socialism and democracy

It is possible to argue that a market socialist economy, while by itself not sufficient to sustain democracy, is certainly necessary for it, and indeed would structurally tend to sustain it more than either market capitalism or non-market planned socialism. The question may be dealt with under two heads; first, the question of industrial democracy (or worker's control) and second, the question of democracy in the state (or overall political democracy).

Democratic market socialism and industrial democracy

For industrial democracy or workers' control to be meaningful, the members of each enterprise must have a substantial degree of control over their work environment, including decisions about the range of products to be made, the method of production, etc. In a MS economy, they are of course constrained by the prevailing market conditions. They may find it financially impossible to supply the good or service they would ideally prefer. But generally, there will be a range of options in between to choose from. Enterprise members can decide whether to specialize or to diversify, whether to go all out for maximum production or to opt for more pleasant working conditions and a lower income. By contrast, if the economy is fully

planned, no enterprise can enjoy comparable autonomy; each must be given input & output targets which largely determine the enterprise's work. There may still remain matters - the shape of the working day, for instance - over which enterprise members can decide, but these can only concern peripheral, not essential, issues.

Of course, the extent of industrial democracy depends on the structure of the enterprises. The scheme of worker's co-operatives we have suggested is obviously democratic; however, there might arise cases in which efficiency demands a different structure. Even so, a market socialist economy would provide democracy at the point of production for those who valued this most highly, who could choose to work in those sectors of the economy where industrial democracy proves compatible with economic efficiency.

Democracy in the State (Overall political democracy)

As discussed earlier, political democracy is difficult to sustain - even without a deliberate single-party arrangement being introduced - in the non-market planning model. By contrast, market socialism seems much more likely to be conducive to democracy for a number of reasons. First, most property is "socially" owned & not under the direct control of a state bureaucracy, which would thus find it far more difficult to subvert the democratic process. Second, the existence of a private sector (of course, within certain limits) ensures a

certain economic pluralism which is conducive to political pluralism as well. Third, the kind of planning which market socialism calls for - which might be called 'framework planning'- makes it much more straight forward for a democratically elected assembly to push through its major decisions. This is because instead of trying to determine the detailed shape of the economy - which is impossible for non-specialists & necessarily means the technocrats taking over - this kind of planning simply lays down the broad parameters within which the economy will find its own equilibrium. Issues to be decided by the assembly would include, for instance, preferred enterprise structure, guidelines for investment agencies, tax rates, etc. These are issues of the right kind of generality for debate in a democratic forum. It is precisely because the role of the state is restricted under market socialism that it is possible to envisage effective democratic control over the bureaucracy.

CHAPTER III

STATE AND LAW IN A DEMOCRATIC SOCIALISM

1. Introduction

The critique of the commune model (undertaken in the first chapter) has demonstrated the impossibility - and even the undesirability - of the abolition of the state. For a democratic socialism, the point would not be to abolish the line between state and civil society, but to transform both in a democratic direction.¹ Citizens in a democratic socialism must be free in the state as well as from the state - in fact, it is not as citizens that they are free from the state but as scholar, businessmen, workers etc; and they must be equal in ^{the} making of the law, and not only under the law.

It would obviously be futile to attempt here the task of detailed institutional specification of the conditions necessary for a democratic socialist state; but certain central features may, nonetheless, be pointed out:

- The need for a framework of public law.
- Solving the question of what 'representation' involves, and what principle of choosing members for elective bodies is to be adopted.
- Ensuring the accountability of the bureaucracy, and doing this in a manner that does not impair its efficiency.

1. This is not meant to pre-judge the issue of the path of transition; the argument here is concerned only with the end-state.

- Ensuring political pluralism.

But before entering on these issues, it is necessary to examine briefly the functions which the state in a democratic socialism would be required to fulfill, and correspondingly, what the general form of such a state must be if it is to best fulfill these tasks.

2. Functions of the State in a Democratic Socialism

It is broadly possible to distinguish three major functions of a democratic socialist state.²

1. First, the state has a protective function. As D. Miller writes,

"... given any allocation of freedoms, opportunities, material resources, and so on to individuals and to groups, we always face the problem of stabilizing that allocation. Some may be tempted to encroach upon others' shares by, for instance, theft, invasion of liberty, withholding of benefits owed, etc. We need some agency to deter potential encroachers..."³

2. cf. D. Miller, Market, State and Community (Oxford: Clarendon Press, 1989) pp. 295-298.

3. D. Miller, op.cit., p.295.

Of course, this is usually put in terms of the state's duty to safeguard a set of rights; but rights are only one way - and not the only one - in which this duty may be discharged. Hence, any reference to rights would be premature at this stage.

2. The state's second function concerns its interventions in economic life. These economic functions, however, differ widely among themselves; they may be separated into three heads as follows :

(i) Ensuring distributive justice by the allocation and re-allocation of resources. One part of this concerns intervention to ensure justice in the operation of the market socialist economy. The other part concerns welfare and income redistribution schemes.

(ii) The function of economic management i.e. various technical macroeconomic measures to make the economy satisfy certain criteria of efficiency (these criteria must, of course, be compatible with the general aims of a democratic socialism; but these aims, in turn, cannot be met without some assistance from economic management skills). Examples would be the controlling of aggregate demand so that both labour and capital are fully employed; providing training programmes for individuals wanting to shift lines of work, etc. Under this head also comes the question of capital investment, which in the absence of private ownership becomes the responsibility of the state; in the previous chapter this issue has been discussed in some detail.

(iii) The provision of public goods, such as recreation, medical care, public transport, etc., which certainly cannot be left to the automatic workings of the economy, but must be consciously provided for.

3. Third, the state must reproduce itself; this is perhaps the most complex task of all. This implies ensuring that the formal mechanisms for political participation are working properly, that political information is freely available, that there exists a public sphere in which debate can take place, and an education system that produces adults capable of participating in a process of political dialogue. It must also maintain the boundaries between itself and the non-state realm (civil society).

3. The Democratic Socialist State : A Constitutional State?

Given the above discussion on the functions of the socialist state, it is now necessary to inquire about the form of state best suited to discharge these functions.

An initial suggestion would be a form of majoritarian democracy (usually known as a pyramidal system) where assemblies at local level elect delegates to higher level assemblies and so on, so that decisions made in the higher assemblies are an aggregate of decisions made by direct democracy in the local assemblies.

This, however, is hardly likely to prove a suitable form of state, for reasons which are spelled out below.⁴

- First, certain issues should deliberately be excluded from the agenda of collective decision-making. The most obvious instance is the choice of items of personal consumption. But there are other, more complex issues as well, such as the question of 'fundamental rights' which, it may plausibly be claimed, should be immune from any interference, even by a democratic majority.

- Second, in such a majoritarian system there is always the possibility of conflicts between the decisions of local assemblies and that of higher assemblies. Which majority then should be deemed legitimate? There is thus a need for a clear demarcation of spheres of decision-making competence.

- Third, in all modern societies there are decisions which call for specialist knowledge or expertise, and in which the application of simple majoritarianism could only lead to disaster. There should be some mechanism to hive off such decisions to the appropriate bodies, and yet to retain overall accountability for their decisions.

- Fourth, in cases which involve far-reaching and obvious conflicts of interest, it may be necessary -if

4. cf. D. Miller, op.cit., pp.294-320.

the conception of deliberative or dialogical democracy is to be sustained - to withdraw the affected parties from the assembly while the issue is being decided. Again, this calls for a departure from simple majoritarianism.

- Fifth, simple majoritarian democracy may tend to result in mutually incoherent decisions, because of the impatience of the electorate and their consequent haste in altering decisions which do not bear fruit very quickly. There is a need here to bind majorities to certain long-term decisions by disabling them from altering their mind within too short a period.

These considerations lead up to a case for a constitutional state. This has implications which may be spelled out as follows:

(1) It is a state in which decision-making capacities are separated among agencies according to definite rules of regulation. This calls for a framework of public law.

(2) It also implies the existence of a monitoring body to interpret the demarcation rules between various bodies in cases of conflict - perhaps a Constitutional Court.

(3) This in turn implies the existence of a written constitution, because without this there would be no stable basis for the court to pass judgement.

However, Marxist political theory upholds, as is well known, the thesis of the withering away of law, whereas the present discussion has suggested—on the basis of a preliminary study of the contradictions of majoritarian democracy—that a framework of public law is an absolute necessity. The issue, thus, clearly calls for further clarification.

4. Law in a Democratic Socialism

The classical Marxist position on law may reasonably be said to have been worked out most rigorously by the Soviet legal theorist Evgeny Pashukanis, writing in the earliest years of the Soviet republic,⁵ and it is therefore with him that it is necessary to begin any attempt to rethink the status of law under socialism.

Pashukanis's originality lay in the fact that he criticized all earlier accounts of law by Marxist theorists on the grounds that they either reduced law to a purely ideological manifestation, or else were exclusively concerned with the content of existing bourgeois law. In contrast to these, Pashukanis posed two questions:

(i) What is the form of law, that is, what is specific to and definitive of legal institutions ?

5. E. Pashukanis, Law & Marxism (London: Ink Links, 1978).

(ii) Why is the legal, rather than some other form of societal regulation (such as custom) necessary?

His answers may be summarised as follows. He defined the form of law by the categories of 'subject' & 'rights'; law for Pashukanis could consist only in the recognition of the rights of subjects concerning possession. This in turn he derived from the deep similarity which, he argued, existed between the commodity form, which was at the heart of Marx's detailed critique of political economy, and the legal form, which was to be the centrepiece of Pashukanis's parallel account of bourgeois law. Both commodity and legal form, he argued, had existed only embryonically in pre-capitalist societies. Their twin dominance arose simultaneously with the displacement of feudal privileges by the capitalist system of equivalent exchange. Pashukanis stressed repeatedly the parallels between the categories of bourgeois jurisprudence and those of political economy. Pointing to the coeval emergence of the commodity form and judicial individualism, he insisted that man becomes a legal subject by virtue of the same necessity which transforms the product of nature into a commodity. Judicial individualism and "the person", as a legal subject who can avail of a set of justiciable rights, were thus identified with the rise of capitalism and an economic order which was constituted by the conflict of private

interests of the individual owners of commodities in a system of formally equivalent exchange. This conflict of private interests, so Pashukanis argued, is both the logical premise of the legal form and the actual origin of the development of the legal superstructure.

Quite clearly, these answers offered by Pashukanis crucially ~~depend~~ on a questionable equation of law with commodity — capitalist relations and a certain conception of property rights. But before embarking on a critique of Pashukanis, it is necessary to recognize what is valuable in his analysis of the form of law.

This is that it points to the problems posed by a realm of differentiated agencies of decision. For Pashukanis, of course, concerned as he is with analyzing law in capitalist society, the agencies can only be human individuals, and the form of their relationship must be an exchange of commodities. But it is important to realize that a realm of differentiated agents is in no sense limited to these forms. The agents concerned may not be individuals (e.g. they may be public bodies), they may not be concerned with production, and their relations may not take a commodity form. This last point is crucial - as will be argued later, socialism does not mean the end, either in the economy or in the polity of differentiated agencies & consequently there is

clearly a need for legal regulation under socialist forms of property & state administration.

It is thus necessary to define the form of law in a way that is more general ~~than~~ Pashukanis's, restrictive analysis that holds only for bourgeois states. Law is an instance of regulation: an institutionally specific complex of organizations and agents, discourses and practices, which operate to define (whether in codified rules or not) the form and limits of other organizations, agents & practices.⁶ Law, therefore, consists of elements necessary to this instance of regulation; these are, briefly,

- An apparatus of legislation, which issues laws
- Rules produced by legislation which define the status and capacities of agents, their "legal personalities" (as e.g. doctor, married women etc.)
- An apparatus of adjudication - a judiciary
- as well as an apparatus of enforcement.

The above account of the form of ~~law~~ quite clearly differs from Pashukanis's account in at least two major respects.

6. The discussion that follows draws on the work of Paul Hirst, On Law and Ideology (London: Macmillan, 1979) and ibid., Law, Socialism and Democracy (London: Allen & Unwin, 1986).

First, while for Pashukanis law merely expresses a pre-existing reality, defined, as is traditional in the -orthodox Marxist framework, on the terrain of the economic - this account, by contrast, emphasizes that law actively constructs entities. Legislation as well as application are processes involving construction of agents as well as the organisation of their existence through the form of a legal personality.

Second, Pashukanis conceives of society as a totality unified by the process of material production; 'society' for him is a singular entity whose essence is expressed in its relations of production. The present account, however, conceives society rather as complexes of institutions and agents that have no necessary unity; it is precisely this lack of fit between these varied institutions which give rise to the problems of legal regulation.

Pashukanis was also much concerned about the 'form' of law, the definitive features of its rules that would provide its rationale. But this was a futile search: nothing differentiates laws, as categories of rule, from other forms of regulation (e.g. customs overseen by community elders, etc.). What does make law distinct from other categories of rule is, rather, the legal institutions which differentiate the rules they make as 'law'. It is precisely here that Pashukanis privileging of private law most clearly reveals its

weaknesses. Because law for him became merely an expression of (commodity-capitalist) social relationships, which required it and which yet determined how it met those requirements, legislation and the form of legal institutions were reduced to a non-problem, a medium necessary to private law but one governed by its form.

In opposition to this conception of law (which might be called an "organisist" one), it is necessary to assert that "laws" depend on the instance of regulation issuing them taking a definite public form, as bodies within the legal framework of a state. It implies the necessity of taking seriously the construction and application of particular laws by specific institutions within a framework of public law.

It is, in other words, only because they are issued by certain institutions presented as a sovereign public power and because specific state agencies engage in their enforcement that laws are effective as laws. Public law is thus absolutely crucial to 'law' in two senses:

First, it is the condition for the differentiation of "law" from other categories of regulatory rules - i.e. the creation, as a public power, of an institutionally specific instance of regulation.

Second, this public power of regulation must

itself in turn be regulated; definite limits must thus be placed on the scope of legal institutions.

The argument so far may be summed up in two main propositions:

(i) That rules of definition and regulation are conditions of existence for a realm of differentiated agencies of decision. Such rules call for a regulatory instance. However, this by itself does not yet bring us to the specificity of law and legal regulation; hence the second proposition:

(ii) A condition of existence of "law" (as distinct from other modes of regulation e.g. custom) is an institutionally specific instance of regulation, which must be presented in the form of 'public Law'.

The subsequent discussion will attempt to elaborate these propositions and to link them together more systematically.

It is necessary to return to the notion of differentiated agencies of decision and attempt to spell out more exactly what it implies.

(i) It implies that some spheres of activity (production, medical care, etc.) need to be organised in the form of more than one distinct agency. (The causes behind this need may be very different - division of labour, limits of information, etc. - but are in any

case immaterial for the purposes of the argument being made here).

(ii) That activities of each agent is not determined by direct central command, but involves a measure of autonomy. The obvious example is that of firms in a capitalist economy, but the point is a general one.

(iii) Agents operate not in isolation, but in interaction with each other; such interaction may, of course, take very different forms, including relations of competition or antagonism.

Now, in order to define and regulate this realm of differentiated agents, the definitive/regulatory instance which is needed must itself be presented as external and superior to each of these agents. Quite plainly, a regulatory instance cannot be at par with the agents it is supposed to define/regulate.

The obvious response which suggests itself at this point is, of course, that it is the state which is the regulatory instance. However, this raises more problems than it solves. This is because the modern state, far from being a monolithic body, itself comprises of a complex of differentiated decision making agencies (ministries, various bureaucratic bodies, the police, etc.). Therefore, to utter the word "state" does not solve any problems; the state stands as much in need of definition and regulation as any other realm of agents.

It is precisely this function that is served by public law. Public law firstly defines the component parts of the state as decision making agencies with definite powers and spheres of action; and, secondly, regulates and reviews the action of these state agencies.

It is thus necessary to grasp the complex nature of the relationship between the state and public law: the latter defines and regulates the state, and yet, as a regulatory instance, it is within the state, a part of its activity and agencies.

No doubt the state cannot be understood by a legal analysis alone; but public law, nonetheless, is an absolutely vital component of the state. Its role may be summarised thus:

(i) A constitution: which provides an organisational design, defines the component elements of the state and their "powers";

(ii) And simultaneous with this, the definition of the status and capacities of non-state entities.⁷

To summarize, public law is the definition of the entities of the 'public' domain, their capacities and

7. It should be noted that a constitution is also a means of instituting a long term design; it represents a pre-commitment to a framework of rules, a self-binding of sorts. This is a function that has not been explored here. Some fascinating recent discussions of this issue may be found in J. Elster & R. Slagstad (ed.), Constitutionalism and Democracy (Cambridge: Cambridge University Press, 1989)

limits of action vis-a-vis one another and other agents. The 'state' is not a monolithic body, but a set of differentiated agencies, with capacities of decision-making in respect of definite spheres of activity. It therefore calls for a regulatory instance. Under socialism, if state agencies are to be both efficient and accountable, there is a great need for an effective framework of public law to regulate the public domain and its relations with other agents.

Once, this general point about the necessity of public law has been made - and the withering away of law thesis shown up to be utopian - it is, however, necessary to add that public law does not automatically ensure the benefits expected of a legal system. The USSR and China, after all, have elaborate Constitutions and legal apparatuses; the civil liberties of citizens may yet be infringed there while keeping well within the bounds of the law. The point then is that public law cannot solve all the problems of the co-ordination and control of a realm of differentiated agencies of decision; but it does make such a realm possible and, therefore, the appearance of definite rather than generalized problems of control, coordination of and interaction between the agencies.

To transform abstractly stated 'rights' - as in Jul 1936, USSR constitution, or for that matter the 1977 Constitution - into something that is effective, it is

necessary to create institutions that can regulate the practices of others. These, in large part, must be legislative and adjudicative agencies; to be effective these institutions require differentiated capacities for enforcement - e.g. their own review bodies and inspectorates. It is useless trying to specify these in advance. What at a general level needs to be insisted upon is the necessity of the deliberate construction of institutions, without attempting to reduce them to the basic relations of production or to solve all problems by invoking popular democracy.

5. The Concept of 'Representation'

A democratic socialist society would, of course, greatly expand the number of areas of social life in which democratic decision making would be possible. However, one persistent problem which arises whenever the issue of democratic participation is raised is that of the conflict between representative and direct democracy; this is particularly so in the Marxist tradition, which attaches a very high value to the latter. But before entering on this issue it is necessary to clarify the concept of representation itself.

The problem of the meaning of political representation raises atleast two major issues : first,

the power of the representative; and second, what representation involves.⁸

(i) The question of the powers of the representative : If A is to represent B, he can do so either in the role of a delegate, or in the role of a fiduciary, analogous to a trustee. If it is as a delegate, A is simply a spokesman, a messenger of B, and the scope of the mandate is highly restricted and revocable. If, on the other hand, A is a fiduciary, this gives him the capacity to act with a certain independence on behalf of B. In this second case, A represents B without a binding mandate.

(ii) What representation involves: this too can have two answers. A can represent B in respect of his general interests as a citizen, or alternatively in respect of his particular interests e.g. as a worker, a doctor, etc.

This difference - between general and functional representation - obviously also has implications for who is the representative. If A represents B in the latter's capacity as a citizen, then it is not necessary that A should belong to the same professional category as B. This gives raise to a specific category of professional representatives i.e. the professional politician. In the

8. cf. N. Bobbio, "What Alternatives are there to representative Democracy?" in Which Socialism? (Minneapolis: University of Minnesota Press, 1987); and ibid., "Representative and Direct Democracy" in The Future of Democracy (Cambridge: Polity Press, 1986).

latter case, of functional representation, the representative usually belongs to the same professional category as those represented, on the principle that workers can best be represented by workers, engineers by an engineer etc.

Now these two issues (of whether the representative is a delegate or a fiduciary and whether he represents general or particular interests) are actually also interlinked, because a fiduciary is more compatible with the representation of general interests and a delegate with that of particular interests.

Now it is clearly the case today that what is usually meant by representative democracy is that the representative is a fiduciary, and is supposed to represent the general interests of his electorate.

The criticism of those who oppose representative democracy in the name of a more complete, profounder conception of democracy focuses on precisely these two features. First, there is the criticism of the fiduciary relationship in favour of a binding mandate; and second, there is the criticism of the representation of general interests by those who uphold the necessity for the sectional representation of the particular interests of various social groups. These issues will be discussed in turn.

(i) The criticism of the fiduciary in favour of a binding mandate has its well-known exponents in Marx (in his writings on the Paris Commune) and the Lenin of 'State and Revolution'. Some of the problems with this conception of democracy have already been explored in the first chapter. Here, it will suffice to point out that for any decision making at all, there is a need for a process of dialogue; delegates whose hands are bound by a mandate are ill-equipped for this. This is particularly so in conditions of a modern society, where considerable flexibility would be demanded of those deciding on any complex policy issue. Thus, the binding mandate cannot today be considered seriously as an answer to the ills of democracy; rather more complex institutional solutions have to be sought.⁹

At a more general level, Paul Hirst¹⁰ has suggested that the doctrine of representation - - ought to be dropped altogether, because it is little more than a myth of ultimate authority deriving from the people. He emphasizes instead the necessary heterogeneity of elective institutions, and the need to look at representation as a mechanism for the provision of a

9. This is not to deny the value of direct democracy in small-scale settings, where it can act as a school for citizenship, but only to question its global claims.

10. P. Hirst, Law, Socialism and Democracy pp.38-42.

personnel rather than in terms of the faithful representation of the interests of the constituency which has elected the representative. This, has the merit of making the point that democracy, of whatever form, cannot be judged by its "representativeness" alone, but must also be evaluated by the results achieved by such representative bodies.

(2) Regarding the second issue - of the representation of particular interests versus that of general interests - there is something to be said in favour of the former. Functional representation has now fallen into disuse, but there was an influential tradition of thought in Britain (Cole, Laski, Figgis, etc.) which had argued for this mode of representation. This is now commonly seen to lead to 'corporatism', a term which has acquired an odious reputation; but it may be suggested that the time is ripe for a relook at the theories of functional democracy.

In fact if corporatism is simply defined as the institutionalized representations of organized interests, then it is easy to see that it has a positive role to play. It provides a means whereby those interested in an area of activity a service may have a voice in how it is performed or run even if they are not directly involved in producing or delivering it. An example-which already exist in advanced capitalist

societies - are consumer associations. In a socialist society, they should be directly represented on boards of managements, while being simultaneously free to withdraw and campaign to the general public about the merits and demerits of the activity or service.

A significant advantage of a corporatist arrangement is that it ensures the representation not only of strongly organized interests and pressure groups, but also of those that are poorly organized or unorganized. Corporate representation, since it is always of concrete interests and organizations (and not of an abstract representation such as in the case of representative democracy where each member of parliament claims to 'represent' a certain number of electors in a locality) it would be likely to ensure a degree of fairness for those weaker groups without the informal power of lobbying.

6. The Question of Political Pluralism

It is often assumed that the concept of pluralism is coterminous with the concept of democracy, that, to put it simply, a democratic state is by definition a pluralist state, and vice versa. A more careful look would reveal, however, that this is not quite so.¹¹

11. N. Bobbio, The Future of Democracy, pp.57-62.

The most obvious way to bring out this disjuncture is to point to the fact that historically there have been non-democrate pluralist societies and non-pluralist democracies. Feudal Europe is an example of the former; it was a society which comprised of several power centres, often in conflict with each other and with a weak central authority, Feudal society was thus pluralistic, but it was obviously not democratic.

Non-pluralist democracy may be exemplified by ancient Greece. Here all public activity took place in the polis and the democracy which was practised was direct democracy, so that between the individual and the city there existed no intermediate bodies.

Now what is distinctive about modern societies is that they are characterised by an irreducible social pluralism; from this it follows that modern democracy must find ways of coming to terms with this pluralism.

Democratic and pluralist theory are both critiques of the abuse of power; they are not synonymous, but they are certainly compatible. Autocratic power i.e. power from above, is the target of democratic theory, which aims to substitute for it power from below. Pluralist theory directs its critique at monocratic power, i.e. power concentrated in the hands of one person or group; it aims to distribute or disperse this power.

The two critiques are not identical precisely because their objects - autocratic and monocratic power - are different. To go back to the examples already used, European feudal society was autocratic and polycratic, whereas Rousseau's republic was democratic and monocratic. This means that apart from these two combinations (autocracy plus polycracy and democracy plus monocracy), two other combinations can be envisaged. One of them is autocracy plus monocracy, of which absolute monarchy provides the best historical instance; the other, which is the one we are concerned with, is democracy plus polycracy.

A democratic socialist state must thus not only be democratic - that is, a state which is ruled by power from below and not by power from above - but it must simultaneously be pluralist; that is, it must have mechanisms to ensure the distribution (as opposed to the concentration) of power. This is because, as discussed above, democracy under present day conditions cannot be direct democracy, and so the state cannot be ruled by the citizens' assembly as the sole centre of power - But where it becomes necessary to resort to representation democracy (even if in same combination with direct democracy), then a situation arises in which, as Norberto Bobbio writes,

"... the guarantees against the abuse of power cannot derive solely from control from

below, which is indirect, but must also rely on reciprocal arrangements between groups which represent various interests and are expressed in various political movements which contend with each other for the temporary and peaceful exercise of power".¹²

Lest this seem close to a Schumpeterian elite democracy, it should be pointed out that in a democratic socialist society with the kind of market socialist economic organisation discussed in the previous chapter, the emergence of elite groups wielding far greater social power than the population at large would itself be difficult. Pluralism - the effort to break up concentrations of power by distributing it among various groups - would, in such a situation, be increasingly complemented by the democratization of each such group. This would ensure that power is not only distributed but also controlled.

7. The Role of Political Parties

Party political pluralism and self-government have frequently been considered incompatible with each other. If the people affected by a particular functional activity are running that activity themselves, either

12. N. Bobbio, op.cit., p.60.

directly or through a combination of representative and direct participation, the presence of political parties may understandably appear as an external intrusion. There may be a conflict between loyalty to the group and to the party.

While this argument has some plausibility in the organisation of functional activities, it certainly cannot be carried over to the responsibilities of representative assemblies. At this level, where general choices applicable for social life as a whole have to be made, a role for political parties will remain, since it cannot be assumed that everyone in a socialist society will necessarily agree on priorities and values.

Of course the way parties work in existing capitalist democracies leave much to be desired. The models of competitive elitist democracy, classic pluralism and neo-pluralism, identified by David Held¹³ capture in different ways the reality of the elite political leaders of parties competing for the votes of a passive electorate. However, given the very different economic organisation of a democratic socialism, the real possibility of genuinely participatory parties opens up.

13. D. Held, Models of Democracy (Cambridge: Polity Press, 1987), chs. 5-6.

8. The Problem of Bureaucracy

Starting from Marx's early writings, through his analysis of the Paris Commune, to Lenin's analysis in "State and Revolution" as well as his writings after the revolution, Marxism has seen itself as opposed to bureaucracy. Yet the level of theoretical analysis of bureaucracy achieved by Marxist remains far from adequate. It is often simply assumed that bureaucracy implies domination, and that a classless society will be able to do without it.

This, however, will quite simply not do. One does not have to agree with Weber's vision of an inevitable iron cage of bureaucratic rationality to recognise that routine administration according to formalised rules will be indispensable to any conceivable complex socialist society. The problem of administrative power - like the broader problem of power in general - will always be with us. Rather than simply reducing bureaucracy to domination, it is necessary to recognise as well as test the limits of the problem through the analysis of specific organisation types, formalised rules, and bureaucratic procedures.

The Question of Bureaucracy at the level of the Enterprise

If the aims we have in mind are the achievement of general fairness and democratic control, then this seems

linked as much to the formulation and regular application of formalised rules as to permanent or unrestricted participation (Note 1). Small units whose work forces are relatively homogeneous in skills and/or commitment to the organisation may perhaps function according to radical participatory methods. But the search for alternative forms cannot be restricted by a prior commitment to an ideal type of participatory collective that presents itself as the sole bearer of socialist values. On the contrary, it is necessary to analyse - in an open-ended fashion - the spheres where formalised rules might be relevant; what kind of rules these might be; and what mechanisms might be available for applying, amending or suspending them.

There are many constraints which make such rule-formalisation desirable. They include constraints of largeness of size, heterogeneity of participants in knowledge/skills, heterogeneity of technologies and processes, as well as health and safety hazards. As for the purposes which would be served by such formalisation, these would include: (i) economy of time (ii) interpersonal tension reduction (iii) predictability and continuity (iv) general protection from arbitrariness and favouritism (from which participatory collectives are certainly not immune). So also, the ability for a worker to determine his personal time rhythm is highly dependent on the kind of

predictability that derives from formalisation. Marxist analyses wrongly trace all bureaucracy in the work place to the needs of capitalist domination, and consequently misunderstand the positive significance of workers' struggles for such rule formalisation and for procedures protecting individual rights - struggles that are likely to continue under socialism.

The Question of Bureaucracy at the Level of Overall Social Problems

At this, broader level, the inevitability of certain forms of bureaucracy is even more obvious. The institutionalisation of a genuine plurality of life and work options, such as to secure the principal aims of a socialist society, represents a problem of enormous complexity. Given the multiform interrelations among units and individuals, and the relative scarcity of the environment in which they are to be achieved, economisation and formalisation of administration became inevitable. Neither an unregulated market nor an informal or haphazard application of rules can be substitutes for this. Historically such formal-legal rationalisation has been a bulwark against arbitrary power; indeed, democracy in a complex socialist society requires bureaucracy (Note 1).

But at this point it is necessary to ask: does it therefore require bureaucrats? That is, does it require

a special stratum of individuals professionally specialized in the work of bureaucratic coordination? Could not a rotation of such tasks among the population be a substitute? Several considerations suggest that even where everyone in a society shared the more routine or less desirable tasks, and even where administration was simple enough to be performed by the ordinary citizen, a certain degree of professionalisation of administrative work might be necessary. Indeed, bureaucratic work might be considered both less desirable (because routine) and necessarily "professional", requiring a definite degree of continuity in the performance of such tasks. To begin with, continuity is economical, atleast upto a certain point. Even if administrative tasks are always undemanding - which is by no means always the case - learning them can be time-consuming. The routines and formal rules of an office can be extremely complex, and correspondingly, the costs of rotation might outweigh the benefits. In addition, rotation may have definite limits if a bureau is to function at all, since everyday operations depend on interpersonal factors achieved through stable interaction. More importantly, continuity is necessary if there is to be accountability.

If the existence of "bureaucrats" is not to undermine the premises of a democratic socialist society, it is the organisation of accountability which

is the crucial question. The possible elimination of a class division of labour does not mean the abolition of an administrative division of labor or total deprofessionalisation as such (as was tried during the Chinese Cultural Revolution, with results that are now well known). Various mechanisms need to be used to ensure accountability. These might include supervision and investigation by elected political bodies (e.g. Parliamentary Commissions), removals and sanctions against those violating legally established norms, public access to information, mechanisms for appeal and rectification of decisions, etc. It should not a priori be assumed that 'radical democratic' methods of control are more effective; there is here a place for those with special knowledge.

All of these mechanisms of control, however, can be effective only if a more general condition is met: the existence of a public sphere where it is possible to engage in debate over the formal rules of administration. Such debates must aim to clarify the possible outcomes of the application of alternative rules, so that costs and benefits can be calculated, and the tendency for decisions to be made according to bureaucratic rationality alone can be checked. This implies a regular process of public monitoring of systematic outcomes (of the consequences of various policy decisions) as well as of unanticipated

consequences. If such a public sphere is effectively institutionalised, and mechanisms to check and remove abuses exist, the routine application of formalised rules by regularly tenured staff can become an extremely efficient "neutral" instrument of democracy.

Formal means Versus Substantive Goals?

The Marxist tradition has a long history of downgrading formal means in the name of a deeper substantive content. But in any complex society, such a simplistic opposition is seriously misleading. What is necessary is, rather, to realise that while there is an unavoidable and very real tension between the two, this tension cannot be arbitrarily dissolved. There are many instances - the above discussion of bureaucracy being only one of these - where substantive goals are best pursued through a framework of formal means.

9. Institutions of Control

Democratisation and pluralism are not unmixed blessings; they will bring in their train certain problems as well, in addition to exacerbating certain others already present. Control institutions are needed to check these problems. One such institution, a product of the capitalism of the 19th century, which socialism can perhaps revive is the practice of inspectories. Inspectorates might perform atleast three functions.

First, in a extensively decentralised and democratised system, there is always the danger of a lack of uniformity between the policies and practices of the different decision-making units; hence, inspectorates would be useful in ensuring the necessary degree of uniformity.

Second, democratised and self-managing agencies are quite as likely as to make decisions that damage the public interest or the interests of consumers as are undemocratic agencies; this is so not because of any ill intentions on anyone's part, but because there is no preordained invisible hand which will harmoniously coordinate all interests in society. Inspectorates are needed to function as supervisory mechanisms precisely such that this coordination may be effected.

Third, there is a clear need for special inspectorates for the supervision of specialised areas of work without which a modern society is impossible, but which also pose great risks for the population at large - e.g. nuclear power corporations, pharmaceuticals, biotechnological institutions, etc.

CONCLUSION

The two earlier chapters have presented a sketch of the economic and the political organization of a democratic socialism. This conclusion will touch upon two broader issues which are important to the question of socialism but have not been treated so far. The first concerns the distinction between the state and the non-state realm in socialism; the second touches upon the impossibility of defining socialism in an 'objective', value-free manner, and the consequences thereof.

But before this, it is necessary to add a few lines on the relation between the historical and the theoretical method of discussion in theorizing socialism.

1. The relation between the Historical and the Theoretical in Theorizing Socialism

One objection which might be raised to the kind of inquiry pursued here is that it is a form of bad abstraction insofar as it creates a conceptual model not anchored on any concrete historical terrain.

This objection is certainly plausible; but in opposition to it, it needs to be pointed out that Marxists have for far too long left unquestioned the image of the final end-state they wish to attain and concentrated their attention exclusively on the routes to it. Part of this reluctance is in fact to be traced

back to Marx's own refusal to speculate on the forms of a future society - an activity which, as is well known, he contemptuously equated to the concoction of recipes for the cookshops of the future. But this refusal to face up squarely to the contradictions in the vision of the postulated end-state has long ago ceased being a virtue and become a liability to the socialist tradition.

It is thus necessary to insist that both logics, the historical and theoretical, must be explored in full depth, while avoiding a too-easy conflation of the two. Of course, the two must be made to interrogate each other - it is only then that the tension between them can be made productive. Though the stress in the discussion here has been on an abstract-theoretical inquiry, it should be clear that there has been no intention in this of claiming that this theoretical sketch could have been produced sui generis, by a purely intellectual exercise. Rather, as was pointed out in the Introduction (on the reform process in the USSR), any such theoretical scheme itself can only be produced by a careful attention to the forms of emergent historical practice (to take the most obvious example, a market socialist economy can be conceived of only because there is some pressure towards it among at least some sections of the population in East Europe and the USSR). But it should nonetheless be insisted upon that such

conceptualizations are not immanent in the historical process, are not lying on the surface of history, transparent to every one ; it involves, rather, a distinct and irreducible theoretical labour. And far from being merely theoreticist, historical practice itself, beyond a point becomes blind when uninformed by this labour of theoretical conceptualization.

2. The Distinction between the State and the Non-State Realm in Democratic Socialism

One theme, which has been touched upon earlier, needs some further elaboration. This is the distinction between the state and the non-state realm, manifested in the life of each person as the distinction between his identity as citizen and as private individual. Not only the statist command planning ideal, but equally what is frequently posed as its antithesis, the commune model, both share the bad utopian aspiration of dissolving this line of distinction. One favours the absorption of the society into the state, and the other the reverse. But what is necessary is to interpret the idea of the Left in a way that divides the social space into two realms in which different principles operate. In the realm of the state the operative ideal is the republican ideal of equal citizenship, of a community of free and equal citizens committed to public debate over political alternative. In the non-state realm, the operative principle is what may be called the rectification

principles, which consists in the progressive elimination of iniquities.

The first principle presumes formal equality; the attempt in this case is to give it substance. The second assumes the existence of real inequalities; its task is to overcome these. The Left, as a historical tradition, has incorporated a dynamic that has followed the logic of these two principles in combination - viz. to make formal equality more real, and to make real inequalities more equal.

It should be noted that both principles are potentially universalistic in application. The rectification principle is obviously so, insofar as it aims to seek out and eliminate what comes to be socially perceived as unjust. The principle of citizenship is universalistic as well, but in a different form; citizens are required to judge political alternatives according to reasons which anyone upon due reflection can accept, reasons which are public and which can be acknowledged to be compelling, independently of their particular interest or commitments.

A democratic socialism must tenaciously pursue both principles, without seeking to collapse them into each other.

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3. The Normative Elements in the Idea of Democratic Socialism

The discussion undertaken here has focussed almost exclusively on the institutional aspects of democratic socialism. In doing so, it was implicitly taken for granted that certain basic values - equality, democracy, plurality of choice - could be agreed upon as desirable norms. Now plainly this is not so - the very meaning of such central concepts can never be free of contestation. But here we wish to draw attention to a slightly different problem. This is that even among those who broadly agree on a common interpretation of these concepts, there can be no 'objective', 'scientific' agreement as to which society could be characterized as a democratic socialism and which could not. No unambiguous line divides those differences and 'inequalities' that are tolerable from those that are not. The concept of surplus value is not useful at this level of analysis since it merely begs the entire question of standards of labour exchange (~~Note 1~~). Neither can 'democracy' be given an unambiguous meaning. The range of forms of authority consistent with relative social equality and general political democracy appear to be quite broad. Universal and equal participation are not possible in every sphere, nor desirable, nor always consistent. Plurality of choice in occupations also depends on particular social mechanisms, and thus has definite limits. The democratic and socialist character

of society can thus be determined only in relation to specific institutional arrangements. The latter, in turn necessarily represent relative judgments about standards and rules and about their interrelationships. Certain rules may be considered tolerable in one sphere only because of their effects in another. A democratic socialism is constituted only through the totality of institutional relations and cultural norms.

Democratic Socialism is thus not an 'objective state' that is 'reached'. It is, rather, a totality in a permanent process of formation and negotiation - and in a permanent process of struggle. A 'society' without conflict and struggle is inconceivable. Not every set of standards and institutional mechanism for achieving one desired objective coincides with every other objective. Democracy, equality and plurality may represent a totality, but their institutional embodiments would inevitably be contradictory in some ways.

There would be no class struggle in such a society in the sense there is in capitalist society, but there certainly would be a struggle over the meaning of class, over the tolerable and intolerable forms of inequality. The various inequalities that will inevitably accompany complex social differentiation provide a permanent ground for the re-emergence of class. Far from regretting it, this permanent indeterminacy is something a socialist society must learn to actively welcome, as one of the sources of its creative self-alterity.

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