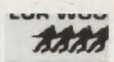


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Fabian Society No. 516

Market Socialism

Whose Choice?



AMPHLET COLLECTION

"Market socialism is not therefore about 'rolling back the state'... It is rather about using the power of government intelligently to carry out those tasks which the state alone can perform."

"Ultimately, we feel that the reduction of socialism to market socialism represents a failure of courage and imagination."



A Debate
Edited by Ian Forbes
for the Socialist
Philosophy Group.

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Market Socialism: Whose Choice?

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Ian Forbes is a Lecturer in Politics at the University of Southampton.

David Miller is a Research Fellow at Nuffield College, Oxford.

Saul Estrin is a Lecturer in Economics at the London School of Economics.

David Winter is a Lecturer in Economics at the University of Bristol.

Sally Jenkinson-Neave is a Senior Lecturer in Politics and Government at the Polytechnic of North London.

Kris Beuret is a Lecturer in Applied Social Science at Leicester Polytechnic.

Diana Coole is a Lecturer in Political Theory at the University of Leeds.

This pamphlet like all publications of the Fabian Society represents not the collective view of the Society but only the views of the individuals who prepared it. The responsibility of the Society is limited to approving the publications it issues as worthy for consideration within the labour movement.

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I. Introduction

Ian Forbes

Can markets serve in the realisation of socialist values of equality and justice? Or are they irrevocably imbued with the ethos and practice of capitalism? Are market mechanisms properly the concern of serious attempts to deal effectively with the real world as we find it? Or is market socialism just another version of the mixed economy, i.e. humanism with a capitalist face? These are some of the questions examined here.*

They have been the subject of extended discussion over the past eighteen months by the Fabian Society Socialist Philosophy Group. This Group has been grappling with the problem of the direction in which the country should go and could be made to go by the Labour Party in power. As such, we have been a part of the process of rethinking the goals and strategy of the Left since the last election. In particular, we have responded to the need to revitalise the socialist vision, to reactivate socialist principles which have been undermined and sometimes hijacked by the so-called New Right.

A socialist vision

This has meant avoiding a mere restatement of socialist shibboleths. The sceptical Left is keen to subject its own favoured notions and practices to critical analysis. And socialists are faced with some glaring failures. Even the minimalist strategy, getting electoral support, has increasingly taxed the resources and credibility of the Left. A crisis in capitalism has been accompanied by the dissipation rather than the

concentration of socialist forces. Underlying this, the intellectual validity of traditional socialism remains suspect in a number of areas. Many wish to escape the inherent chauvinism of the class analysis, while others reject the narrow economism of Clause Four advocacy. Still others recognise that the New Right has gained strength from the failure of the Left to present socialism as a morally relevant doctrine, superior to the blandness of utilitarianism and the vacuity of privatised freedom. The derision of morality redolent of the sixties and early seventies equally subverts the legitimacy and credibility of socialism's claim to offer a rich and complete vision of a just and equal life.

Without a socialism based on fitting values and feasible policies, we see little chance of socialist practice, socialist outcomes or a socialist government. Our enquiries, then, into the philosophical grounds of socialism are intensely practical in their intent and are based on contemporary social, economic and cultural realities. Our aim has been to establish the basis for concrete and credible policies which reflect a socialist vision and inspire support for it.

*This pamphlet includes views expressed by members of the Socialist Philosophy Group in a number of meetings and I have drawn upon the notes of those discussions made by Ben Rich, secretary of the Group.

The state and the economy

In *Equality, Markets and the State*, (Fabian Society, 1984), Raymond Plant argued for a statist pursuit of equality, and did not see the decentralisation of power across and within the community as essential. This view produced a strong reaction within the Group. Many were unhappy with the emphasis on a strong state and sought an alternative allocative mechanism which could deliver social justice without increasing bureaucratisation.

Market socialism seemed to offer elegant solutions consistent with socialist values. Any future Labour government would, after all, find itself faced with some kind of functioning market economy and no possibility of effecting a radical restructuring of productive activity (even if it wanted to and knew how to). But some kinds of change would be enacted immediately in the interests of solving pressing social and economic problems. Any such change, it is argued, should conform to a strategy which would ultimately help to realise long-term goals, wherein profound transformations in the structure of society were conceivable. Broadly speaking, market socialism is a realistic strategy which also takes into account welfare effects, efficiency and ethics. It seeks to reassert the principle of redistributive justice by demonstrating its applicability and viability. Moreover, market socialism offers mechanisms which combine efficiency with just outcomes instead of counterposing them.

The debate about the efficacy and relevance of market socialism is most centrally concerned with the state and the economy. In contention are conflicting perspectives of the state as a constituency of care, as an enabling mechanism, and a monolith. The state is, of course, all and none of these.

Socialists are as concerned to constrain the state as they are to make it truly effective, especially with regard to the economy. This means dealing with

ideological as well as structural details. In ideological terms, market socialism sets itself against nationalisation as much as it repudiates privatisation. Markets, in that all ordinary people are involved in them, are seen as providing a sense of overall community throughout society. To that extent, they potentially constitute a kind of political democratic mechanism. But changes are necessary. This takes the form of empowering people (not just consumers with cash) in the market place in order to enhance socialist outcomes and values. Instead of the iron fist of the state, the velvet glove of participatory democracy envelops the invisible hand of the free market.

However, some members of the Socialist Philosophy Group expressed disquiet about this approach. These doubts are explored in the second half of the pamphlet. The core of the responses to the case for market socialism as a serious policy strategy relate to one question: is there socialism after market socialism? David Winter and Sally Jenkinson-Neave offer some criticisms and observations from within the paradigm. There is a particular focus on the nature of exchange mechanisms, the problem of monopoly and the regulatory tools that socialists in government will be likely to have at their disposal.

Kris Beuret and Diana Coole argue that market socialism may involve unacceptable sacrifices on value issues. There is not simply a critique of market socialism, but confronts the decision even to consider it. Should an economic approach predominate, or should market socialism be done only in conjunction with other strategies? They ask whether market socialism is a vivid enough alternative to the present, capable of galvanising support and enthusiasm for the good life in a truly socialist future.

2. Market socialism: a policy for socialists

David Miller and Saul Estrin*

The term 'market socialism' has no unique reference. It is a blanket term which has emerged to cover all versions of socialism in which markets are given a significant role to play. If there is any community of view among market socialists, it is simply that markets are not automatically to be identified with capitalist markets, and may have a number of properties that all socialists should be willing to find attractive. Since this bare assertion still provokes dissent in some quarters, we will begin by outlining the essential case for markets before going on to look at many of the qualifications that have to be entered.

It is necessary first to dispense with the fiction of 'the market' as a single entity. Many separate markets interact with each other, and the operation of each depends on a variety of background conditions; institutional factors such as government regulation and the specification of property rights; empirical factors, like the number of buyers and sellers and the degree of their organisation; normative factors, the customs and conventions governing exchanges in that particular area. It is equally wrong to think of 'market' and 'planning' as diametrically opposed processes. Forms of planning may be as numerous as kinds of markets, and there are many possible ways in which planning decisions can be linked to the operation of markets. By setting the parameters of diverse markets, they can be made to advance various public interests yet still cater for different individual tastes.

A second consideration is the *legitimacy* of markets. A socialist will not see this as a corollary of the property rights of individuals, as some individualists would. Even if certain personal rights

are indeed sacrosanct, these will not include the unrestricted right to sell and acquire possessions, a right which is liable to have social consequences of serious concern to socialists. So the case for markets must be made in terms of their general consequences. Here there are broadly speaking three considerations.

- Markets are an efficient way of producing and distributing a very large number of mundane items, from tomatoes to transistor radios. In fact, no complex society dispenses with markets as means to allocate goods to consumers. The variations occur in the extent to which producers face market incentives in deciding what to produce. The familiar Smithian point, that market incentives are a dependable way of getting our bread baked, should be taken seriously. And as Hayek points out, markets allow us collectively to make the best use of the information dispersed throughout a society, though one does not have to elevate

* Others who contributed written material and took part in the discussions that formed the basis of this section were Peter Abell, Colin Crouch, Barry Hindess, Gavin Kitching and Hillel Steiner.

this proposition to the status of a universal truth. It just does not make sense for a central planning board to make decisions about the relative quantities of salami and garlic sausage that its citizens need; nor would such issues enhance the tone of debate in the democratic assemblies arising in a socialist society. One of the virtues of markets is that, by transferring these decisions to a small group of sausage makers, it clears the decks for more important discussions.

- Markets give their participants a certain kind of freedom. They tend to expand the range of choices that may be made, and they give each person a variety of partners with whom to deal, so that no-one is forced to interact with people who cause problems of one kind or another. This is most obviously the case where the items in question have a direct political content. Few socialists can now fail to see the attraction of some kind of market in newspapers, books and so forth, even if they are profoundly sceptical about the existing market structure in this area. However, the point can be broadened: if I am buying for cash, I have no need to explain or justify a request for a large consignment of salami, and this freedom to arrange my personal life in the way that I happen to prefer is one whose value should not be underestimated.
- Markets tend to dissolve personal power. Although they certainly place constraints on people's behaviour ('market forces'), they free people from dependence on particular individuals such as petty bureaucrats. This is not because markets have a directly ennobling effect on human nature, but because obstructive individuals can be circumvented, and because competitive pressures tend in the long run to favour the survival of the helpful.

None of this is intended as a blanket endorsement of market mechanisms. It is meant to show that, where markets can be expected to work effectively, there are good reasons for allowing them to operate. Socialists ought not to despise efficiency and freedom of choice, and they ought to be fully aware of the defects of officialdom. At the same time, they ought to be alive to the wide variety of circumstances affecting the operation of markets.

In some areas, markets will not work at all, for example where the product is such that two or more competitors cannot remain in equilibrium, and one productive unit tends to establish a dominant position from which it cannot then be dislodged by new entrants. Such cases may be comparatively rare. Far commoner are markets in which competition benefits those immediately involved in it but has adverse consequences for a wider constituency or broader social interests. The concepts of externalities and public goods currently underpin a large amount of state activity aimed either at regulating markets to prevent damaging side-effects or at providing goods and services which private individuals have inadequate incentive to produce. The state will continue to play such a role under market socialism, as indeed it must under all forms of socialism.

From a socialist point of view, however, externalities and public goods have a deeper significance. Socialists are concerned not only with economically calculable losses, but also with effects on the general quality of life in a society. We will want to ask, for example, about the effect that particular markets have on local communities: do they create incentives that will lead, as a by-product, to the break-up of living patterns that are valued by those who participate in them? We will also want to look at the distributive results of various markets in terms of ideals of fairness and equality. If the results of those enquiries reveal market failures in the broader

sense, we will begin to search for ways either of replacing the market entirely or of intervening to correct undesirable tendencies.

Capital and labour

Drawing the boundaries between market and non-market provision is therefore a matter for empirical investigation, and the boundaries themselves may be expected to shift over time. There is, however, one general point that market socialists need to insist upon in their response to neo-liberalism. This is that markets in *capital* and *labour* are very different in their implications from markets in most *products*.

The neo-liberal case looks most convincing when applied to markets in ordinary consumer goods. In these cases consumer sovereignty can normally be expected to work effectively, and socially damaging side-effects will only occur in special cases. The neo-liberal strategy is to try to assimilate all markets to these intuitively appealing cases. However, capital and labour both have special features that make the assimilation highly problematic. Take capital first, and consider decisions to invest in this or that productive enterprise. Such decisions are of their nature harder to make than (typical) decisions about consumer goods; to be rational they need to be based on complex judgments about the future performance of enterprises. Thus there is a powerful tendency for these decisions to gravitate in practice into the hands of experts who are able to spend time acquiring the necessary information, and so control of capital passes effectively into the hands of a small elite.

Furthermore, the social repercussions of investment decisions are likely to be substantial. Whereas my decision to buy salami rather than garlic sausage has at most a marginal effect on anyone else's life, a decision to build or not build a factory in a particular location may have enormous

consequences for the local community, and for a future generation. The shape of the capital stock accumulated in one period creates the world in which succeeding generations have to make their way; investment in housing is an obvious example here. An elite make the decisions which significantly affect a large number of lives; which is to say that they exercise *power*. It does not follow immediately, of course, that capital markets should be abolished. There is still a choice to be made between diffusing power as far as possible through competition, and regulating it through public authority. But it is misleading to pretend that capital poses no special problems for the theory of markets.

Labour poses problems of a different kind. To begin with, it is usually impossible for workers to spread their labour among a number of alternatives, as if they were mere commodities. That is, a worker acquires a particular skill and works full-time for a single employer, not many different firms. This makes workers highly vulnerable; if their decision turns out to be mistaken (the firm lays off employees or goes bankrupt) the costs are very large indeed. Thus there is a strong *prima facie* case for special protection that does not hold in ordinary market contracts where *caveat emptor* is the rule.

Second, the worker in supplying labour also hands over a large segment of his or her *life* to the employer. This will to some extent be reflected in the operation of labour markets, where working conditions as well as pay can be expected to affect the choice of work, but it is unreasonable to expect all the consequences of labour to be taken into account in this way. There may be, for instance, long-term health implications whose seriousness is hard to judge. More controversially, the environment in which people work may affect their personalities and future preferences. Occupying a subordinate role at work lessens the ability to participate effectively in political arenas, for instance. A

socialist, having a general view about the shape of the society s/he would like brought into existence, cannot remain indifferent to such effects even if the individuals in question do not actively resist them. This raises questions about the extent to which socialists should regard people's present preferences as having canonical status in decisions about the allocations of goods and services. Nevertheless, it is clear that capital and labour must be treated differently from ordinary consumer goods. In broad outline, market socialists want to have a free market in products, and either no market at all, or a well-regulated market, in labour and capital. This position is less absurd than those standing both to the left and to the right would like to make it seem.

The structures of enterprises

If product markets are to be retained under socialism, but capital and labour markets abolished or at least transformed, what ought the structure of enterprises to be? At the libertarian end of the spectrum, socialism implies no more than equal entitlement to the means of production, with the question of how people choose to use their endowments (whether in capitalist enterprises, co-operatives etc) left entirely open. Second, there is the Croslandite view that capitalist firms are an acceptable component in socialism (perhaps alongside other components) provided that the state uses its powers of taxation and regulation to correct income deficiencies and so forth. Third, the respective rights of capital and labour in the enterprise should be redefined in the form of a capital-labour partnership, with each party being allocated a pre-determined share of profit. Fourth, enterprises in market socialism should normally take the form of workers' co-operatives, with capital supplied externally and entitled only to receive interest. Since the fourth view is at first glance the most congenial from a socialist point of view, we will begin by examining its strengths and weaknesses.

The attractions of workers' self-management are easy to see. Power is spread throughout the enterprise, with each member formally having equal voting rights, and a chance to share in managerial functions (eg, through a rotating committee system). The organisation of work (hours, conditions, etc) can be altered to suit members' preferences. Since each member has a stake in the profit of the enterprise, there are likely to be substantial gains in productive efficiency. Finally, the distribution of income, although it must to some extent reflect the market position of those with special skills, is likely to be considerably more egalitarian than in the alternative forms of enterprise canvassed above. On the other hand, there is now abundant literature, both theoretical and empirical, on the functioning of co-operatives, suggesting some significant limits on the potential scope of a self-managed sector.

The economic analysis shows above all that producer co-operatives react sluggishly to changes in market conditions. The capitalist system is highly responsive to changes in market conditions from both the cost and demand side, whereas co-operatives are interested in the collective welfare of their members, which will include their pay, conditions, hours of work and size of the group with whom they are employed. Improved market conditions permit co-operatives to gratify more fully their collective goals, but to the extent that these conflict with increased production, the effect on output will be dampened relative to that of capitalist firms.

Many analysts have seen this as a source of unemployment under market socialism, but co-operatives are unlikely to fire members in order to increase collective welfare. It is an appropriate macro-economic policy on the demand side which is needed for full employment, matched if necessary by government creation of the additional co-operatives required to mop up surplus labour. The moral is surely that the

co-operative form may be inappropriate if we want to exploit social opportunities in sectors with rapidly changing demand, technological or cost conditions. In good times, co-operatives will not adapt sufficiently to high demand or technological changes. In bad times, co-operatives are ill-suited to the hard decisions involved in fundamental capital and labour restructuring. If the economy is open, domestic co-operatives will be squeezed out of foreign and home markets by more flexible international competitors. If the economy is closed, the welfare burden will fall on domestic consumers.

Investment

This brings us to the second issue: investment. Left to themselves, co-operatives tend to invest less than capitalist firms in the same situation would have done. There is likely to be a bias within conventional capital markets against the co-operative mode of production which leads to restrictions on the provision of external funds. This could be eliminated by the creation of a co-operative bank to act both as a source of saving and a broader supporting institution for the self-managed sector along the lines proposed by Vanek and to some extent undertaken by the Caja Laboral Popular for the Mondragon group of co-operatives (see J. Vanek (ed), *Self-Management: Economic Liberation of Man*, Penguin, 1975).

But there could still be problems for investment on the demand side. If we accept that co-operative entrepreneurs will be relatively more risk-averse than their capitalist counterparts, they will require a risk premium from projects over and above the market rate of return which would choke off the volume of investment undertaken. Moreover, all the discursive evidence suggests that co-operatives are unhappy about accepting 'excessive' external financing because of the consequential loss of control over the future of the firm. One can view this as placing a limit on investment demand at a quantity multi-

plied up from internal financing sources by a ratio which the membership determine to be consistent with retaining control over the destiny of the co-operative.

For some or all of these reasons, co-operatives are prone to invest at a lower rate than their capitalist counterparts. This strongly suggests that co-operation is also inappropriate for the production of goods which require capital-intensive techniques. Unless some solution to the under-investment problem is found, for example via the central direction of fixed capital accumulation through co-operative banks, this seems to rule out self-management for the heavy industrial sectors — steel, chemicals, metal working — sometimes referred to as the 'commanding heights'.

Other reasons argue against a significant role for self-management in highly capital-intensive large-scale plants or indeed any sectors with major economies of scale in production. Self-management is not impossible in large, multi-plant diversified corporations — the Yugoslavs approach the problem by breaking the firm up into a loose coalition of self-managing sub-units — but the costs of democratic management rise while the benefits for the workforce diminish. Co-operation in such sectors could actually lead to significant welfare losses, since the collective membership might choose to sacrifice economies of scale for retaining relatively small size and effective workforce control over the firm. This is another example of potential conflict between the interests of the co-operative members and those of the consumer, who gains from the lower prices arising from the larger scale of production.

Skills

Related to size is the nature of skills required in the production process. Self-management involves the democratic control of the firm by its labour force and its success will hinge on the relevance and capacity of the entrepre-

neurial group's innate skills. Co-operation will be most effective where the labour force as a whole, rather than some tiny proportion, has significant contributions to make on the managerial side and least where they do not. This does not augur well for self-management in sectors in which the production process itself is relatively mechanical and enterprise success instead hinges on the highly specific talents of a small group of workers; in design, in finance, in marketing or in foreign sales. When combined with the probable limitations by co-operatives of their size, which will restrict the spreading of risks through diversification, this criterion rules out sectors such as banking, finance and insurance.

The co-operative form may also be inappropriate in high-risk industries and industries subject to rapid technological change. It is more likely to succeed in areas with relatively small-scale production processes which rely disproportionately on the skills of the entire labour force (rather than on capital or the talents of a small subgroup), and in relatively well-established markets and product lines.

Capital-labour partnerships may be a way of combining the benefits of self-management with some of the economic advantages of the orthodox capital firm. These operate on the basis of an agreed division of rights and responsibilities between the two sides, and a corresponding division of profits. Since capital is now a risk-bearing factor, there is room for a more conventional capital market; and the need to compete in such a market for continuing investment obliges the labour force in each enterprise to pursue overall profit (rather than profit per worker) as its goal. Partnerships of this kind will be more inclined to expand employment in the face of market opportunities since employment levels will be decided by the representatives of capital.

Difficulties

There are, however, at least two difficul-

ties with the partnership idea. One is that it reintroduces the possibility of conflict between one party whose interests are solely in levels of profit and a second party whose interests are more diverse. To avoid this kind of conflict, the partnership agreement may need to be quite detailed (otherwise potential investors will be deterred). But self-management is not *merely* a matter of giving workers an economic stake in their enterprise, desirable though that may be from the point of view of performance. It is also a matter of encouraging active decision making in an area of daily life that is centrally important to most people. Clearly such participation only makes sense where there are real decisions to be made.

A second difficulty is that the effects of the partnership system on the distribution of income may in the long term be less desirable than those of the co-operative system. As people invest in more or less successful partnerships, any initial equality in the distribution of investment capital is likely to give way to a cumulative advantage for the shrewd investors. Why should this matter? Socialists are likely to believe that income equalities above a certain point, however they are generated, are socially damaging, and that skill at investment, though certainly a socially useful talent, is not the kind of skill that should command very large rewards.

In general terms, a feasible socialist market economy would have to be institutionally pluralistic. There would be a large co-operative sector, perhaps a sector in which capital-labour partnerships were formed, perhaps a sector of very small enterprises (restaurants and so forth) taking a conventional capitalist form. It seems overwhelmingly likely that basic industries requiring massive levels of investment (oil, coal, steel) would be state managed, even though subject to (mainly international) market competition. Such diversity would be a realistic reflection of the varied types of production that exist in a modern economy. Such pluralism would

have to be cultivated as a matter of policy, and supported by the appropriate regulatory and investment agencies. Thus the confluence of plan and market, referred to at the beginning, would reappear here as a deliberate structuring of the institutions of the market.

Yet we do not envisage the market sector in a socialist society as being all-embracing. Clearly there will still be a place for industries that are run as public services under government control — the railways, for example. Lack of direct competition and the potential social costs of a market-based service together provide a strong reason for taking these services out of the market sector. Different reasons support the same conclusion in the case of several of the welfare services. It should therefore be apparent that government continues to have a major policy role in our version of market socialism. In some areas its role will be direct, in the sense that an arm of government will administer services directly; in other areas its role will be a supervisory one—structuring and then regulating the working of a market. Market socialism is therefore not about 'rolling back the state' in a blanket sense, though it is possible that in some particular areas market socialists would wish to see the role of the state diminished. It is rather about using the power of government intelligently, to carry out those tasks which the state alone can perform.

From a certain point of view, the picture we have painted is anti-utopian, and may not seem to differ much from the mixed economy favoured by social democrats (of whatever party). Why, then, should it be considered as a significant socialist advance? The major gains lie in three areas. First, it promises a much greater involvement for ordinary people in the running of their enterprises. Second, as a result the distribution of income is likely to be very considerably more egalitarian than under the modified version of capitalism that we enjoy at present. Third, our proposals would amount to a socialisa-

tion of capital, and thus to bringing under popular control a major source of power in the present system. We have not taken a dogmatic line on the extent to which this means placing capital under public control (say through a publicly-managed investment bank) or on the other hand dispersing capital ownership far more widely in the form of individual holdings. In either case (or with a mixed system), large concentrations of capital in private hands are broken up, and power is diffused.

Criticisms

Showing that a feasible institutional structure can be devised for the economy is, however, not the only task facing market socialists. They must also show that their proposals can be reconciled with the core ideals of socialism itself. In the first part of the chapter we outlined arguments *for* markets that we thought socialists should take to heart; and at the same time indicated where the socialist view on these questions would differ from the neo-liberal view. But we have not yet attempted to respond to some basic criticisms that may be launched against our proposals from what might be called the 'fundamentalist' position.

These criticisms come in various shapes and forms, revealing three major strands in the anti-market case.

- The argument for markets falsely assumes that consumers are sovereign. In fact, the desires that markets respond to are very largely created by the market itself, and they are in that sense inauthentic. The object of production should rather be to meet human *needs*.
- The market distributes goods and services in a way that is, from a socialist point of view, inappropriate. It rewards merit and luck rather than need.
- The market breeds competition and destroys community. It encourages people to think of themselves as

isolated individuals and to neglect the ties that bind them together. The economic incentives it provides tend to break down communal relationships.

All of these arguments have force; but they tell far more strongly against libertarian visions of an all-encompassing market economy than against the circumscribed use of market mechanisms that we have been proposing. We have stressed throughout that, for socialists, markets must be offset by government planning, and also by a public sector in which services are provided on a non-market basis. A mixed system of this type can be defended against the challenges listed above.

* **Consumer sovereignty.** It is certainly true that many consumer demands are stimulated by producers who have an interest in satisfying them, but it is not clear why this should give grounds for objection. Most of our desires are in any case socially produced, as Marx himself was eager to point out. Why should this origin be worse than any other? There seems in fact to be only two broad instances in which the case for consumer sovereignty breaks down.

- a) What the consumer is aiming at is beneficial to him or her, but s/he lacks the expertise to make an intelligent judgement about how to obtain it.
- b) What the consumer is aiming at is, in fact, detrimental to his or her own best interests.

We should be wary of making too much of case a. There will be many instances where consumers indeed make erroneous choices, but these choices are self-correcting in the sense that, next time around, a better decision will be made. The exceptions are cases in which a particular choice is unrepeatable and/or the costs of making a bad decision are very high. Both features are often present in the case of medical

treatment, for example, and are good reasons for disallowing a free market in medical services. Patients should be protected at least by a state licensing system and possibly by state funding of doctors.

This does, of course, have a paternalist ring to it, and socialists may differ in the extent to which they wish to see people safeguarded against making harmful market choices. It is worth bearing in mind, however, that firstly, people may positively welcome such safeguards as ways of avoiding onerous decisions; secondly, a community which recognises a responsibility for the welfare of its members cannot remain indifferent if they embark on courses of action whose effects are eventually a drain on the community's resources (eg if the victims of irresponsible private medical treatment have later to be looked after at the community's expense).

Case b takes us into more debatable territory. Some socialists would want to deploy a strong theory of human needs, in terms of which felt desires are to be critically assessed. We would, on the contrary, endorse the presumption that the individual is the best judge of his or her own interests unless there are special factors present that make this implausible. The clearest cases will be those in which choices when acted upon change the agent's preferences in a way that is, on balance, undesirable in the light of his or her overall system of desires. A familiar example is addiction, where exposure to a substance or experiences has the effect that the person comes to need increasingly large doses to maintain a minimum level of satisfaction; with limited resources, s/he is less able to pursue other plans and projects. Other examples can be cited. The onus, however, is on the critic of market provision to show that one or other of these factors is liable to be present in the case of a particular good and service; one cannot build a general argument against the market on the basis of a series of special cases.

* **Distributive justice.** We assume that the idea of distribution according to need will feature prominently in the thinking of almost all socialists. Two questions then immediately arise. First, are needs to be defined so extensively that all resources will have to be allocated on this basis? Second, does distribution according to need imply the abandonment of markets, or might the principle be met by retaining markets but redistributing purchasing power, say through the tax system? On most understandings of 'need', the answer to the first question is 'No'. Needs cannot be defined in an ahistorical, quasi-biological way; on the contrary they are socially defined, on the basis of standards of living that are regarded as 'normal' in a particular context. It does not follow that needs, so defined, are infinitely expandable. It is quite feasible to think of a division of social resources between those earmarked to satisfy needs and those serving to reward merit, and to provide the incentives that are required to make a market sector function effectively.

The second question is less easy to answer. Where needs are largely similar, or where differences in need can easily be estimated by simple observation, it may be possible to respond to them by cash transfers. Where, on the other hand, the extent of need cannot be accurately judged in advance of the treatment that meets it, the only effective policy will be provision in kind. Since some needs are always likely to fall into the latter category, there will be a good case for non-market provision in these instances. Compare, for example, the need for food with the need for medical treatment. So on this ground, too, the market socialist ought to concede that the scope of the market should be circumscribed. On the other side, there is no case for a general veto on market mechanisms.

* **Community.** For a community to exist, two conditions appear to be necessary. First, the members must regard themselves as belonging to such

a community. Second, this shared attitude must be expressed in the way that people behave to one another, including here the institutions that they establish to govern their formal relationships, as well as aspects like solidarity and mutual aid among equals. The internal and external conditions seem naturally to reinforce one another: that is, a communal identity encourages people to practice and support institutions of mutual aid, while on the other hand the practice itself tends to strengthen that identity. Nonetheless, it is clearly impossible to create a community *ex nihilo* simply by institutional change, and to that extent all socialists must recognise the practical limits of their proposals in this area.

Constraints on the market can be seen as contributing to the realisation of this communitarian ideal. Protecting people against making damaging choices as consumers and providing for needs outside of market mechanisms can both be regarded as manifestations of a caring society. Assuming that these policies are popularly supported, people are giving up some fraction of their income to protect the vulnerable. There is of course an element of insurance as well, in the sense that each person is a potential beneficiary at some point in his/her life, but the idea of mutual aid does not exclude this possibility.

Some questions remain. Are these communitarian elements strong enough to offset the individualism that appears to be inherent in market relationships? Won't the effect of market competition be to break down communal ties and set people against one another? Can this be avoided without a complete transcendence of markets?

This issue cannot be definitively resolved here, but it is relevant that people seem able to stand in multiple relationships to one another depending on the various roles that they occupy from time to time. For instance, two people might be, simultaneously, friends, competitors on the tennis court, political allies, and rivals in the market

place. Provided that they can keep those roles distinct — that is, they have ways of preventing their economic interests from intruding on their political aims, and so forth — there seems no reason why such a complex relationship should not be stable. Contrary to the view that economic markets once established necessarily pervade all aspects of existence, it is possible to point to many areas of life, even under capitalism, from which economic considerations are successfully barred. Socialists should look for ways of strengthening these areas; in particular, political participation should become a more significant aspect of life under socialism, and a major counterbalance to the economic sphere.

There is, however, a tradition of socialist thought that emphasises the *simplicity* and *transparency* of social relations under socialism, and from this point of view the idea of role-playing, with its suggestion of artifice, may seem alien. Such a view is most eloquently expressed in William Morris's utopian fable *News From Nowhere* (Routledge and Kegan Paul, 1970). His vision of human fulfillment has its charms, but it is by no means self-evidently true. Here people seem one-dimensional just because of their simplicity. Missing is the creative tension that most actual people experience between the need for self-assertion and the moral demands of their community. Clearly the tendency of capitalism (and of unrestricted market relations in general) is to foster

self-assertion at the expense of social loyalties. On the other hand, people in the Marx/Morris view of things seem over-socialised to the point at which their individuality is in danger of disappearing altogether. Perhaps, then, the idea of role-playing, and of coping with the dilemmas that arise when role-requirements appear to conflict, will seem on reflection to be integral to our idea of a developed human being.

The remarks in the last paragraph fall far short of a properly worked-out philosophical basis for market socialism. They are meant to suggest only that it may be possible to find a principled grounding for the institutionally pluralistic system that we sketched earlier. Market socialism as we understand it combines market and non-market elements in a way that allows for the expression both of individual desires and of communal loyalties. Communitarian ideals find their practical expression in the shaping of markets to meet social objectives and in social policies which aim to satisfy a range of needs. The sense of community would be fostered through participation at work, and through non-market forms of association, especially political assemblies. It is not clear that a stronger form of community than this implies would be desirable. Ultimately socialists must decide how far their communitarian commitments can be taken, in view of their equally strong commitments to individuality and freedom.

3. Is there socialism after market socialism?

I. Socialism, markets and market socialism

David Winter

Market socialism is a currently fashionable term in the discussions of the Left (and not so Left). In fact the phrase, which so often appears to mean different things to different people, has been knocking around for at least fifty years. And David Miller and Saul Estrin provide one of the more succinct and elegant cases for market socialism in the preceding chapter. But it still prompts the question, why is everyone talking about market socialism now?

Without going into detailed history, it is fairly easy to detect three disparate sources of ideas as the basis of current discussions. First, there is an input from Eastern Europeans who have become disenchanted with the attempts made to reform centrally planned economies. Second, there is a response to the electoral and intellectual success of the neo-liberal New Right. Third, there is in Britain a widespread dissatisfaction with the performance of recent Labour Governments.

The rather different assumptions and preoccupations associated with these different strands of thought may be some part of the reason why the term 'market socialism' sometimes appears to be rather vague. As we have seen, the term has no 'unique reference' and 'covers all versions of socialism in which economic markets are given a significant role to play'. As is later implied, this covers all forms of socialism that have been seriously proposed or implemented for an industrial economy outside the extreme conditions of war or famine. It is inconceivable that a large advanced industrial economy should try and organise its economy without markets.

Any form of socialism in the foreseeable future will be a kind of market socialism. The question of course is, what kind?

Before tackling this question, I want to look at markets themselves a little more closely. Miller and Estrin give a number of arguments for and against them, some of which I endorse. However a fundamental point is that unless markets are very carefully controlled, there is quite widespread agreement that they tend to work well (in various ways) only when they are competitive (and sometimes of course not even then). There is a practical problem here.

Monopoly power

It would appear that whenever a market approaches truly perfect competitive conditions, at least from the sellers' side, it tends to produce conditions so harsh and so unpredictable that the participants invariably resort to political activity in order to alleviate their situation. The obvious example is agriculture. Here, the combination of near perfect competition among farmers and an inelastic demand for food

produces prices which are so unstable that all governments in industrial countries intervene to protect farmers from the consequences of the market. The market for unskilled labour is another example, where the story is rather different. And most socialists would assume that this market is one of the first candidates for intervention. The more general point is that relying on a very competitive market for the bulk of one's income is a rather uncomfortable experience. We would all like some degree of monopoly, that is some kind of market power, in order to make our economic circumstances, in a market economy, acceptable.

Monopoly power plays a vital role in most market relationships. The precise economic consequence of this is still a subject of discussion among economists. But it indicates that market relationships are, in general, power relationships. As far as I know no economist has ever proved, but socialists will probably not be unwilling to accept, that in a market the more powerful tend to do much better than the less powerful. Frequently, the powerful participants will do well at the expense of the weak. This is, I think, one of the main sources of socialists' traditional antagonism to markets. And it is as valid today as it was in the nineteenth century.

Market socialists' answer to this problem is usually couched in terms of redistributive taxes and other government interventions. And it may be possible to devise a series of government policies which will effectively do this job without incurring unacceptable penalties in other areas. I remain to be convinced of this. Of course the monopoly problem is an old one, but it is also a pervasive one. Nevertheless as a socialist and a sausage eater, I find Miller and Estrin's small group of sausage makers slightly disturbing. I would feel much more comfortable with a large group of small sausage makers than a small group of large sausage makers. But I suspect that the sausage makers might disagree.

Production and exchange

My second objection to the arguments in favour of markets proposed above is that markets are not a method of producing anything. They are simply a method of exchanging goods and services. One of the most important contributions of the recent market socialist debate is that it makes clear that markets are not inextricably linked to capitalist modes of production. They are simply an 'exchange technology'. Their most important feature is that they embody 'voluntary' exchange. Every buyer and seller has the option, at the minimum, of withdrawing from the market. If the consequences of such a withdrawal are too serious (eg starvation), then one may argue that a market no longer exists.

Thus, the institutional framework of production is independent conceptually from the organisation of exchange. In practice the performance of any economic system of production and exchange will probably depend on the interaction of exchange and production institutions in combination with the various incentive mechanisms that these institutions incorporate. Just as markets are distinct from the organisation of production, they are also distinct from any incentive schemes that may be adopted.

Markets are not, by themselves, an incentive mechanism. It is possible that they will only work well if various incentive schemes are adopted. For instance, one of the standard neo-liberal arguments for the private ownership of assets is that it provides an incentive scheme which in conjunction with competitive markets will produce desirable outcomes. But again it is quite possible to envisage (as Miller and Estrin certainly do) markets without private property. Whether they can work well under such conditions, or whether there are alternative incentive schemes that socialists find more acceptable than private property, which will, in turn, make markets work well, remains a

matter for discussion.

So we have a familiar triad — production, exchange and incentives. One of the odd things about the term 'market socialism' is that an exchange institution is singled out as an eponymous feature. I know of no theoretical justification for this though there may be one. Socialists have traditionally been equally concerned with production and incentives as well as with exchange in addition to numerous other aspects of society. Market socialists have been too.

Pragmatism

Market socialists would like their production units to be both efficient and to involve (at a minimum) non-exploitative relations between participants. In different circumstances labour co-operatives, state owned industries, labour-capital partnerships or capitalist firms may be the best (or least worst) organisations to use. Here we come to what I think is the distinctive and most attractive feature of market socialism — its pragmatism. Miller and Estrin are pragmatic about which form of production will best suit different industries, and they are equally pragmatic about exchange institutions. Sometimes the market will work well under these circumstances, sometimes in a different set of circumstances it won't, etc. This is in stark contrast to some forms of traditional socialism.

Traditionally, some socialist intellectuals have tended to think that they knew all the answers. Not so the market socialists. They are aware of the difficulties and of past mistakes. They realise that there are probably no easy and quick solutions. Each case has to be judged on its merits. And then a set of economic institutions can be proposed that will, it is hoped, bring about a desirable socialist outcome.

This then becomes the problem. Having established a set of socialist principles by which different institutions are to be judged, market

socialists have then to select those institutions that best fit each case. What shall we do with the cement industry? What about the market for machine tools? What about the commanding heights of the economy? What *are* the commanding heights of the economy? This seems to me to be a potentially discouraging direction to take and I would like to suggest another one. The two will not necessarily be in opposition. There will certainly be parts of the economy where specific and individual choices of institutions will have to be made (eg housing, education, health etc), but for large parts of the economy an alternative approach may be more promising.

Government intervention

The neo-liberal analysis of the limits and dangers of the kind of extensive government intervention favoured by socialists deserves serious attention. It is possible to distinguish between three broad kinds of government intervention. The first is a change in the general rules (laws) by which the citizens of a society lead their lives. Such changes are often considered to be of a permanent, once and for all kind, at least by the governments that enact them. Second, there are changes in the parameters by which individuals and organisations take their own decisions (eg changes in tax rates or the school leaving age). Third, there is the day-to-day control and manipulation of existing institutions.

Conservative and liberal political thought and practice has, of course, long recognised these kinds of distinctions. This is partly why Conservative and Liberal Governments have been so effective in making interventions. For instance, if you want to set up limited liability capitalist companies you pass a Companies Act, and give the resulting firms legal and financial privileges. After this once and for all act of government, the government sits back to view the results. Additional interven-

tions may be necessary from time to time, but not on a day-to-day basis. The implication here for a socialist government is that if it wants to change the nature of capitalist companies, one potentially attractive strategy is to amend the Companies Acts, not to nationalise or do anything else to particular companies or industries.

How is this relevant to market socialists? It suggests an effective and attractive method of dealing with the problem of selecting which particular set of institutions will be most desirable in any given circumstances. Choices should be left to the decisions of the various participants involved. Thus the market socialist government sets up the framework of laws and institutions that enable different forms of economic organisation spontaneously to evolve in an advantageous way.

This does not mean that a market socialist government will never make day-to-day interventions or that it will not change the laws and institutions it favours as circumstances change. Socialism should probably be considered as a process of successive approximations. But the construction of such a framework should be, I think, part of the agenda for future discussions of market socialists.

There are at least two advantages to such an approach. It would relieve the market socialist from making numerous decisions in a centralised way about each sector of the economy, something which is at best a difficult and at worst an impossible task. So the alternative is to let producers and consumers select and then, if they want to, change their own economic in-

stitutions, within a broad framework of socialist principles.

It is fairly easy to see how this might work in the area of production. After all, a fairly reasonable legal framework for the formation and development of labour co-operatives has existed in this country for many years, yet they remain largely a subsidiary feature of the British economy. Capitalist firms tend to drive out labour co-operatives given the existing framework of rules and supporting institutions. Recently the Labour Party has recognised this and is considering various policies to give labour co-operatives a better chance. It is to be hoped that these policies change the rules to favour co-operatives in general, as opposed to the last Labour Government which favoured certain labour co-operatives in particular.

The second advantage I have also discussed. Governments, at least the kind that socialists are likely to inherit in a liberal democracy, are much better at making once and for all changes rather than frequent successive interventions. Once and for all changes are more likely to become accepted and leave governments in less vulnerable positions when things go wrong. This does not mean we should not try to devise appropriate ways in which a socialist government might make effective parametric or day-to-day interventions. But I suspect that the most important changes can only come about when such a government has revised the laws and changed the institutions so that the organisations of economic life can be formed and reformed by all the people who are involved in them.

II. Policy, planning and markets

Sally Jenkinson-Neave

The theoretical dichotomy between the 'market economy' and the 'planned economy' is not thought to be a serious real world choice among economic policy-makers who concern themselves with maintaining the flow of goods and services and keeping the government show on the road. It follows that a theoretical discussion is not of high priority for a policy-oriented forum. Indeed, even in an academic context, these ideal-type models of the macro-economy would not be universally accepted as mutually exclusive concepts, to be either dismissed or apotheosised as the only correct or moral means of identifying and promoting the needs of citizens in the good society.

An alternative theory

An alternative theoretical framework for the macro-economy which philosophically-inclined socialists might espouse would be a theory which positively accepts — to the point of taking as given — both the market mechanism and the planning mechanism as components in the 'tool kit' of policy implementation. This is not a restatement of the doctrine of the mixed economy. It differs from it as far as it is a morally neutral model, claiming no particular virtue in mixture for its own sake. Indeed, within one particular socialist economy there could be many possible economic 'tools' in use at the same time. In some circumstances planning would be chosen to combat a problem, in other circumstances recourse would be had to free competition. Over time, as economic history testifies, a mercantilist direction is the conventional wisdom; later it is replaced by the theory of the free market to be replaced in its turn by the pragmatism of government regulation. The proposition here is that in the good and reasonable society, the sole criterion over the choice of economic 'tools' should be their demonstrable appropriateness for the

particular task to be done. This might itself change according to time, place, culture and technology. Above all, the theory would reject doctrine or ideology as the criterion for choice of mechanism. It would rely instead on the processes of need-evaluation, means-evaluation, experimentation, re-assessment and adjustment.

J S Mill's evaluative approach illustrates the issue precisely. He did not advocate the freeing of the market on ideological grounds but because economic regulation by governments of the mercantilist school had been shown to fail in its purpose. The moral that Mill has drawn is that restraints on trade are wrong 'solely because they do not really produce the results which it is desired to produce by them'. Today's supporters of the free market come in many colours. All in some measure are standing on received wisdom, quite unlike Mill himself who was promoting a revolution in economic thought. Yet socialist philosophers are right to warn that government intervention, whether it be by mercantilists, protectionists, commissars, or would-be opportunists, may well prove counter-productive to the public interest. As Nove illustrates so prolifically, naive and sentimental re-

gulators within the Soviet Union have found — and continue to find — that their best intentions invariably are thwarted by the unintended side-effects of the implements they have chosen (A Nove, *The Economics of Feasible Socialism*, Allen & Unwin, 1983). Like democracy, the 'price' of the well-governed economy may well turn out to be not an undiscovered 'mechanism', but eternal vigilance in the management of complexity.

Whether a theoretical re-evaluation follows the practical breakdown of an economic doctrine, or whether the breakdown produces cynicism and despair depends upon the richness of one's theory — whether it is rationally based or worshipped as an idol or talisman of good fortune. If rival parties and sects believe that the extirpation of each other's economic heresies is their only proper concern, the good society will be the first casualty. So indeed it proved when rival religious parties in earlier times embarked on a similar bloody

enterprise — each to show the other the true path to Salvation.

But if it is important to defend the efficacy of the free market, as one instrument in the 'tool kit' which can implement socialist values, so equally is it necessary to defend the instrument of government regulation as another (see AI Ogun & CG Veljanovski, *Readings in the Economics of Law and Regulation*, Clarendon Press, 1984). In a harshly inegalitarian society, planning can galvanise resources speedily to overcome particular abuses, especially those which are associated with underdevelopment, exposed for too long to the ravages of market capitalism. (R Berki, "The Lean and Hungry Socialists" in *Socialism*, Dent, 1977). If, as socialists, we defend the free market, it is so that we may assert confidently that 'freeing markets' is one economic tool among many, and that planners should not overlook them utterly as the contributing means to a defined and evaluated end.

III. Rethinking the present

Kris Beuret and Diana Coole

We consider whether market socialism is an appropriate topic and strategy for socialists who aspire to a vision, and eventual realisation, of the good life. It seems to us that there are aspects of market socialism which are at worst antithetical to the good life (or even to a substantially better life than capitalism offers) and at best raise profound questions requiring further discussion.

At the heart of our concern is the assumption by market socialists that some fundamental aspects of capitalism are unassailable and even laudable. Such features include the centrality of work and production to individual lives as well as to society as a whole and associated with this, the domination of economic issues which can apparently

be severed from social concerns and questions of life style. Emphasis on the traditional production sector also ignores the question of social relations in other types of practice. At the same time, an acceptance of markets appears to endorse current capitalist values like competition, inequality, avarice, insatiability of appetite and materialism

in general. Underpinning this is a *liberal* model of explanation, ie possessive individuals who compete as rational, self-interested actors motivated by self-gain. In addition, the presentation of market socialism as a configuration beyond which nothing is to be anticipated has an air of ahistoricity. We are asked to look forward to a world of financial incentives, personal desert/merit and the potency of the profit motive.

Antithesis

The pursuit of markets may, we feel, be antithetical to genuine socialism. First, markets appear to evince certain structural imperatives and these are likely to remain more powerful than any rational socialist control system intended to tame or tune them. The logic of the market, even in the case of co-operatives, small firms and individuals, would prove more powerful than the state-run, welfare sector of the economy, which it would starve and distort. While the most obvious remedy is a high degree of central planning, market socialists are, with good reason, wary of this. Although the advocates of market socialism envisage a welfare system based on need rather than ability to pay, it seems unlikely that these two areas of the social structure could happily co-exist since they are based on such a very different ethic and logic. Of course, temporary balances might be struck, but where competition and profit remain rampant, the welfare sector is always at risk of being sucked in or squeezed.

Market socialists assume that even if the anti-social and competitive values spawned by industrial capitalism continue in the economy, this need not affect values in other areas of life. Yet surely an encouragement of competitiveness in economic practices must pervade both public and private life. The education system, for example, under financial pressure from a pro-market government, must train for well-paid jobs rather than for creative, fulfilling

lives. The resulting criteria of success leave many 'failures' who have few human resources to fall back on. Non-profitable activity would continue to be perceived as idleness or a waste of time and confer low status.

We must ask whether those outside the productive system would be seen as equal and valuable members of society, deserving respect, consideration and support. Or whether homeworkers, the handicapped, the elderly, gypsies and dreamers would be treated as welfare scroungers, second class citizens and dependents, with all the resentment and misery that such attitudes entail. Under market socialism this seems probable; a more radical approach is needed if we are to move beyond possessive individualism and a quasi-Hobbesian view of human nature according to which there must be many casualties in the war of all against all.

Economic reductionism

We are unhappy with too great a focus on market socialism even if these broader issues are discussed. There is a tendency for economic reductionism, whereby technical problems of investment capital, structuring of incentives etc, eclipse other questions concerning the relationship between the economy and other aspects of life. Its perspective is very much that of rational economic *man*. Not only does it fail to consider the very different values outlined above, but it also tends to ignore the special concerns of groups outside the main economic system. Examples would be questions of reproduction, the non-waged economy, the needs and issues related to retirement and leisure and the sexual division of labour (especially the organisation of domestic work and child rearing). All these are related to the necessity of breaking the waged labour/income nexus. On an even broader basis it tends to neglect important concerns relating to personal relationships, to sexuality, to friendship and caring, to addiction, to loneliness and depression.

A related effect of market socialism that is liable to prove incompatible with the values of socialism is the uncontrollable implementation of new technology, whereby profits are maximised when labour is reduced and where de-skilling and alienation increase. There is widespread agreement that present trends will continue and that there will be substantial structural unemployment, especially in manufacturing industry. Even where alternative jobs are available, these will inevitably involve uprooting and the break-up of communities. This harsh means of labour allocation will be accompanied by the creation of part-time and low paid jobs in the service sector. Many workers will still suffer from low morale and lack of fulfilment and control in their lives. Furthermore, can we realistically expect market socialism to increase welfare expenditure for the large numbers of people who do not have paid employment, or should such trends be an invitation to conceive of a wholly different sort of future? Even if the socialist part of market socialism attempts to increase taxation in order to redress such problems, those who benefit from the market component and on whom the taxes are levied are likely to feel resentment given the prevailing ethic of accumulation. They too could feel deprived of the very freedom which market socialism claims to instantiate.

A third apprehension relates to the allocative function of the market and its ability to increase choice and efficiency. The market is geared to maximising profits rather than meeting need. Research and development are not therefore oriented in socially useful directions and there is an incentive to produce cheap and shoddy products with short lives. To quote Frankel: 'such a strategy merely serves to fill the shop window with goods while the shoppers' lives are devoid of meaning'. This raises important questions regarding false and unmet needs. Where basic needs are met by the market, this suggests little or no response to demands that

cannot be made effective by the ability to pay. Yet it is acknowledged that market socialism will cause inequalities (and indeed it *must* do so if resources, notably labour, are to be efficiently distributed). The degree to which such inequalities would become cumulative and entrenched warrants serious consideration.

Moreover, production decisions will still not be accountable or sensitive to the needs of those outside the organisation, even where the decision-making process is democratic, as in the case of workers' co-operatives. The tendency to focus on limited production concerns rather than taking account of broader environmental needs will persist, since interests are perceived in a narrow economic sense. Quantity and the desire for growth, rather than quality and the possibility of zero growth, will inform decisions. Under such a system, who will care for our deteriorating environment, which needs a long-term but unprofitable care that cannot be bought via subsidies based on short-term cost-benefit calculations? Market socialism advocates seem seriously to underestimate both the need for this focus and the groundswell in this direction that a socialist party could build upon.

Our fourth concern with market socialism pertains to the organisational bases suggested for the system. Much seems to hinge on workers' co-operatives as the socialist element in a market system. But their members are held together more by self-serving interests than by any real solidarity. Insofar as they might operate in a socialist manner, they are liable to be punished by a competitive economy which allows only 'profitable' ventures to endure. Co-operatives are also seen as non-viable for large-scale primary industry — which must therefore be either nationalised (hence problems of hierarchy, bureaucracy, alienation, need to be profitable vis-a-vis foreign competitors, etc) or privatised (hence greater power to capital). Exponents of market socialism do not seem especially

interested in new ideas about devolution, decentralisation and local initiatives, particularly when economies of scale are apparent. They neglect the role of consumers who are not direct producers and whose power remains limited to the crude mechanics of exchange. Surely these people who will not be members of co-operatives etc must have a voice in production decisions that affect their lives.

In conclusion, we recognise that there may be valuable assumptions embodied in market socialism. For example, we agree that a socialist society would be pluralist, that personal autonomy and participation should be maximised in all areas of life and that whilst there is preference for small-scale institutions there is also a need for strong central policies to protect and encourage such institutions. We are not, however, convinced that these are compatible with markets. Moreover, there is scope for further debate over issues which do not often form part of the market socialism package. Perhaps the most crucial question is what kind of social

values and relationships we want to see created. What does market socialism have to say about needs, the relationship between welfare and the market and the status of those dependent on the former? Is market socialism itself inimical to the idea of a caring society and the good life; in short, is market socialism a contradiction in terms? Is production an end in itself or but a means to more fulfilling lives? Is reduction of labour power to a socially necessary minimum no longer to be a socialist priority? In other words, is socialism to be nothing more than a worthy and radical liberalism of the J S Mill variety?

Whilst market socialism may offer a solution to certain economic problems, then, it offers little in the way of a socialist vision. In many respects market socialism seems remarkably similar to what we have at present, especially insofar as life style, values and interpersonal relations are concerned. Ultimately, we feel that the reduction of socialism to market socialism represents a failure of courage and imagination.

In this recent Fabian pamphlet, Martin Smith argues that the true socialists have ignored the wishes of consumers and others - dependent for making the provision of goods and services, both in the public and private sectors, more responsive to the needs of those who pay for them.

4. Conclusion

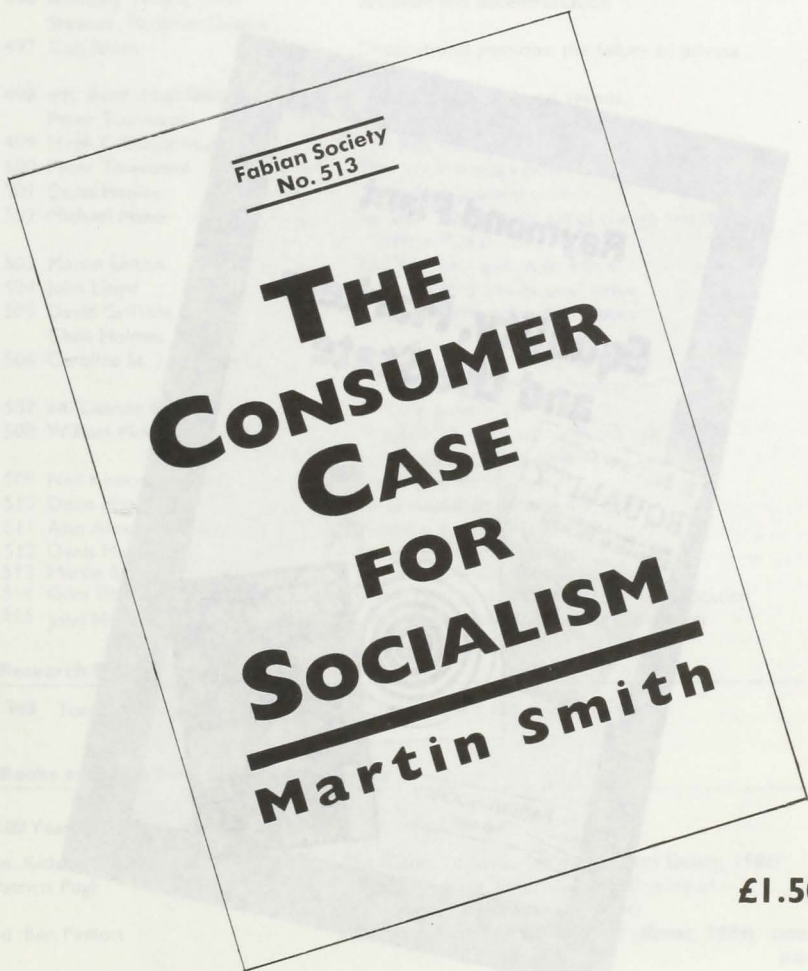
Ian Forbes

What, then are the conclusions that can be drawn from this debate? Principally, the very existence of the debate is a welcome indication of the openness and vitality of socialist thought as well as its actual achievement in terms of policy and orientation. Core values of socialism have been re-examined, replenished and shown to be an integral part of the pragmatism of socialist policy making.

In this respect, the suggestion that market socialism might be value neutral was taken to preclude it from providing a socialist vision. Advocates of market socialism defended themselves against this kind of interpretation. They argued that incentive outcomes and intra-enterprise relations were not predetermined and felt that their critics were overly pessimistic regarding the way in which market socialism was committed on value issues. Indeed, it has been suggested that political democracy is actually enhanced when many decisions are in the market sector, on the grounds that decisions should be taken at the level of their significant effects. That level includes ordinary people in the conduct of their daily lives. In this sense, market socialism empowers the vast majority, so relieving the political apparatus of a mass of mundane and energy consuming work.

Nevertheless, there are some remaining difficulties. Certainly, the state and the economy continue to predominate in these discussions. There is still disagreement as to whether socialism should be about choice maximisation, and differences also exist concerning what status should be given to economic issues. Nor is market socialism particularly anti-utopian. The contrast is not just between a grand vision of 'the good' and a minimally 'adjusted' market. Market socialism too would require a high degree of political resolution in order to achieve this level of pragmatic compromise and would produce a significant political upheaval. Furthermore, market socialism, as it has been described in these pages, clearly requires a strong state in the immediate future. But for socialists, these are not the final obstacles: they are part of our challenge.

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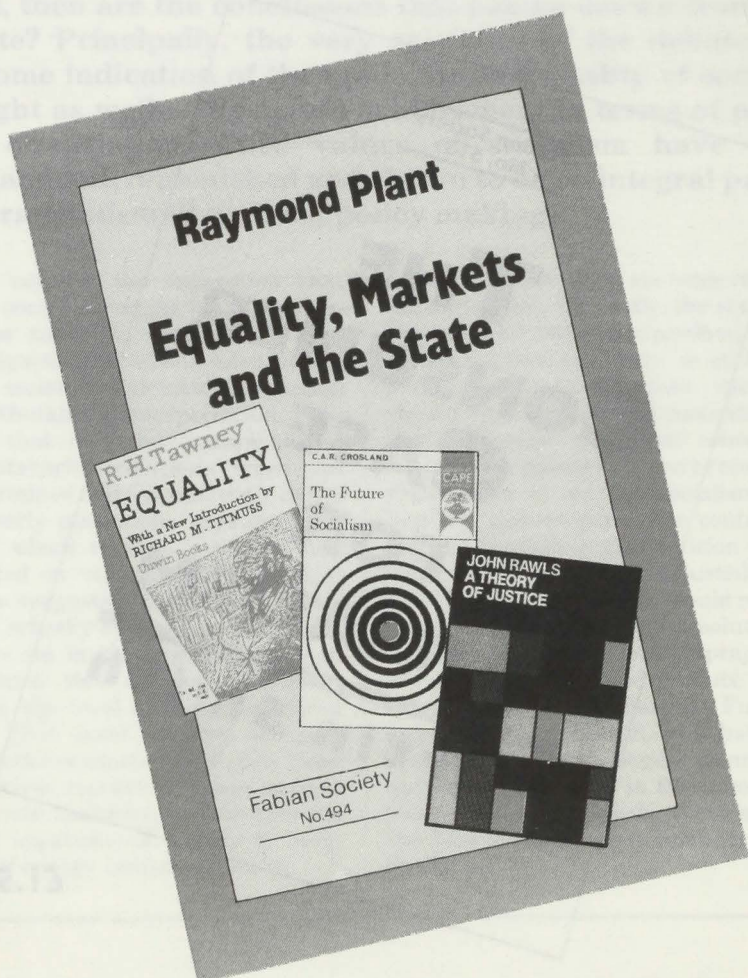
In this recent Fabian pamphlet, Martin Smith argues that for too long socialists have ignored the wishes of consumers and offers a blueprint for making the providers of goods and services, both in the public and private sectors, more responsive to the needs of those who pay for them.

and

Ian Forbes

What, then, are the prospects for the future of the welfare state? This is a debate that has been going on for some time, and it is one that is becoming increasingly important. The welfare state is a central part of our society, and it is one that we must all be concerned about. The debate is not just about the welfare state itself, but also about the role of the state in our society. It is a debate that is becoming increasingly important, and it is one that we must all be concerned about.

In the past, the welfare state has been seen as a way of ensuring that everyone has a basic standard of living. It has been seen as a way of providing a safety net for those who are in need. But now, the welfare state is being questioned. Some people believe that it is too expensive, and that it is not doing enough. Others believe that it is too restrictive, and that it is interfering with the free market. The debate is becoming increasingly complex, and it is one that we must all be concerned about.



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Market Socialism: Whose Choice?

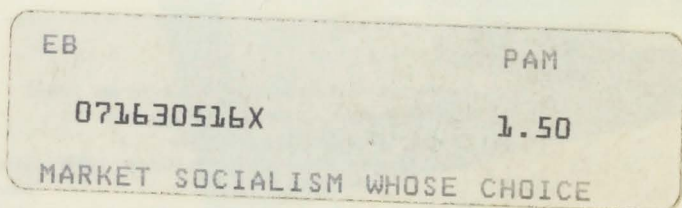
Have markets a role to play in the realisation of socialist values of equality and justice? Or are they irrevocably imbued with the ethos and practice of capitalism? Are market mechanisms properly the concern of serious attempts to deal effectively with the real world as we find it? Or is market socialism just another version of the mixed economy - ie humanism with a capitalist face?

These are some of the questions examined in this pamphlet. They have been the subject of discussion by members of the Fabian Society Socialist Philosophy Group which has been part of the process of rethinking the goals and strategy of the Left since the last election. In particular, it has responded to the need to revitalise the socialist vision, and to reactivate socialist principles which have been undermined and sometimes hijacked by the so-called New Right.

To some, market socialism is a realistic strategy which also takes into account welfare effects, efficiency and ethics. David Miller and Saul Estrin argue that it seeks to reassert the principles of redistributive justice by demonstrating its applicability and viability. Moreover, they claim market socialism offers mechanisms which combine efficiency with just outcomes instead of counterposing them.

To others, the pertinent question is "Is there socialism after market socialism?" David Winter and Sally Jenkinson-Neave offer some criticisms and observations focussing particularly on the nature of exchange mechanisms, the problem of monopoly and the regulatory tools that socialists in government will be likely to have at their disposal.

Kris Beuret and Diana Coole confront the decision even to consider market socialism by arguing that market socialism may involve unacceptable sacrifices on value issues. They ask whether market socialism is a vivid enough alternative to the present, capable of galvanising support and enthusiasm for the good life in a truly socialist future.



Fabian Society

The Fabian Society exists to further socialist education and research. Since 1884 it has enrolled thoughtful socialists who wish to discuss the essential questions of democratic socialism and relate them to practical plans for building socialism in a changing world. Beyond this the Society has no collective policy. It is affiliated to the Labour Party. Anyone who is not ineligible for membership of the Labour Party is eligible for full membership; others may become associate members. For membership and publications details, write to: John Willman, General Secretary, Fabian Society, 11 Dartmouth Street, London SW1H 9BN.

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