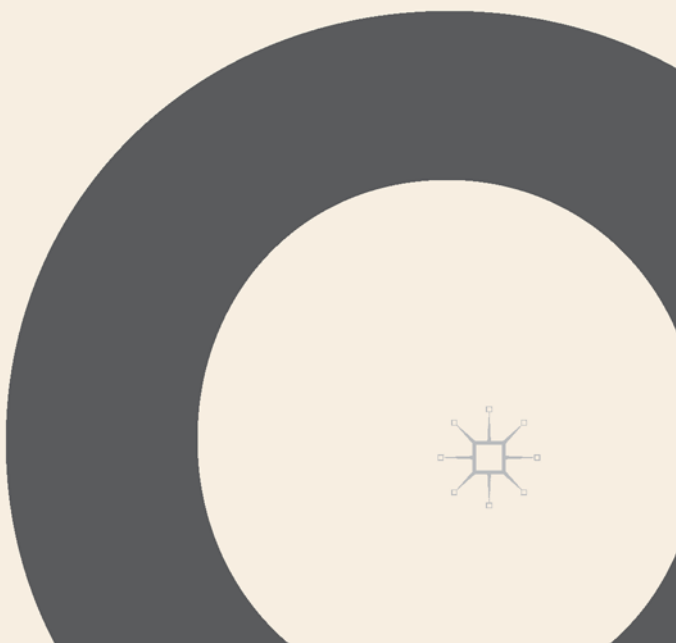




SOCIALIST OPTIMISM

*An Alternative Political Economy
for the Twenty-First Century*

PAUL AUERBACH



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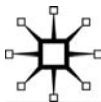
An Alternative Political Economy for the Twenty-First Century

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SOCIALIST OPTIMISM: AN ALTERNATIVE POLITICAL ECONOMY FOR THE TWENTY-FIRST CENTURY
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To Caroline, for everything

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Introduction

We live in dispiriting, pessimistic, cynical times. Present-day capitalism has generated a level of instability and dysfunction not seen since the interwar period of the twentieth century, with growing inequality of income and wealth, persistent high levels of unemployment and ever-diminishing prospects for young people. Political activity is widely perceived to be a game performed by an elite for its own benefit.

A major reinforcement for the existing way of doing things that, in spite of capitalism's manifest inadequacies, no alternative is on the table. In the absence of a positive vision of how society and the economy might develop in the future, it is unlikely that the present trajectory of capitalism will be derailed, no matter how acute the critique of contemporary developments. This book sets out a vision of an alternative political economy.

For much of the twentieth century, socialism in the form of central planning and state ownership of the means of production posed as the anti-pode to capitalism. When its real-life exemplifications in the Soviet Union and elsewhere collapsed, capitalism was seen to be without rival. Centrally planned socialism had failed as a practical concept and as an ideal, unable to replicate the dynamism and innovative energy of capitalism and identified with egregious violations of human and political rights.

The revised socialist agenda presented here will focus upon the upbringing and education of young people in the context of social equality. The creation of opportunities for the full development of human capacity across the population will form the basis for human liberation and democratic control of public affairs and working life. This approach to socialism differs markedly from typical dictionary definitions that are directed at state ownership of the means of production and central planning. It also distances itself from much of the tradition of social democracy. The latter has great accomplishments attached to its name, but has largely functioned as an attempt to alleviate capitalism's worst excesses: social democracy never posed an alternative trajectory of development or vision of the future to challenge that of capitalism.

2 *Socialist Optimism*

The distinction between alleviationist and developmental approaches to social change is an important one, though any social movement is likely to be an amalgam of both. The epitome of the alleviationist approach in European socialism was the British Labour Party. Through much of its history, Labour Party rhetoric had been characterised by an emphasis on fairness and equality, but it addressed the realities of class power in Britain, from the school system to the House of Lords, only in the most feeble way. In the postwar period, its commitment to nationalisation was less a matter of pursuing a diluted version of the ideology of central planning than a pragmatic attempt to maintain high levels of employment. A general view emerged that the monies directed at the nationalised industries were a drain on the Treasury, carried out merely as concessions to a subgroup of workers tied to the Labour Party through the trade unions: the words on everybody's lips were about British decline. It was the perception, or delusion, of a path to development – of 'going somewhere' – that was Margaret Thatcher's greatest strength. There was a modicum of truth in her assertion that there was no alternative on offer at the time, either from other political parties or in the broader political and economic discourse, that was to the slightest degree convincing.

In the US, an extreme form of this alleviationist approach emerged, largely, though not exclusively, in the context of the Democratic Party, an organisation that did not even rhetorically challenge the presuppositions of capitalism. Alleviationism had its greatest success from the postwar years until the early 1970s in the form of a Keynesianism that extended beyond macroeconomic regulation of the economy to a range of social welfare measures. This period was characterised by rapid growth and relatively full employment across Western Europe and North America, accompanied by compression and then stability in the distribution of income: Keynesian regulation of the economy was credited with the success of capitalism during this golden age. When capitalism stumbled in the 1970s, alleviationist approaches failed as well. Since then, we have observed a renewal of capitalist ideology in an intensified form, partly because there has been no alternative on offer. No rival path to development has been forthcoming to challenge capitalism and the rich ideology used to support it.

Is there a socialist alternative? The socialism to be explored here, though having links to its long and, in many cases, distinguished tradition, is not to be identified with its historical association with state ownership and central planning. The optimism in the title of this book is in no way intended to imply any certainty about what will happen in the future. It does, however, signal a rejection of the 'no alternative' view and point to a socialist path to development.

The focus in this book on education and equality can easily be misunderstood. The expansion and transformation of education are key elements of the developmental form of socialism that will unfold here. But educational

reform is viewed with suspicion in some progressive circles: it often functions in public policy initiatives as a substitute for dealing with economic and social inequality. Mainstream educational policy is commonly linked to attempts to blame much of the population for its inadequate intellectual preparation for participating in an economic race, if not with technology, then against other nations, in which 'we' are all supposedly involved. By implication, the on-going rise in inequality can be laid at the door of the losers in this race.

Education remains, however, the most powerful single public policy intervention for progressive reform and for the transformation of personal capacities. In recent years, progress in research and practice surrounding the psychological and cognitive development of young children is dispelling the fatalism associated with the ideology of IQ and the notion that the distribution of skills and attainments in society is simply a reflection of biological capacity. Public policy intervention in education can play a role in the release of the inherent potential of all individuals. It is a uniquely potent force for social transformation and the overcoming of class background.

Progressive formal education policy can thus be a vehicle for the promotion of equality, but it is not a palliative or a substitute for a focus on equality itself. With capitalism manifesting dramatic rises in inequality, it is common to see comments on this problem from prominent individuals that 'feel your pain' but warn against doing anything about it:

If income could be redistributed without damping economic growth, there would be a compelling case for reducing incomes at the top and transferring the proceeds to those in the middle area and at the bottom. Unfortunately this is not the case. It is easy to think of policies that would have reduced the earning power of Bill Gates or Mark Zuckerberg by making it more difficult to start and profit from a business. But it is much harder to see how such policies would raise the incomes of the rest of the population. Such policies surely hurt them as consumers by depriving them of the fruits of technological progress.¹

Alleviation of inequality, some experts assure us, can only take place at the cost of economic progress.

Such a view finds little confirmation in the historical record. Economic development is a social process involving the skills and initiatives of a broad base of the population rather than a gift bestowed by an entrepreneurial elite. Equality, far from being an obstacle to progress, is a creative force. It fosters a context in which formal education can flourish, and it offers opportunities to learn at work and in the broader world. Full employment and security permit both the adults and children in a household to plan and cultivate their capabilities. There is no dilemma posed by some presumptive trade-off between equality and economic progress.

We must resist the temptation, however, to simply accept the goals prominently displayed before us, such as economic growth, and claim that socialism is a way of 'doing it better'. Socialism here is perceived in terms of its ends and aspirations. At the level of individual well-being, it takes literally the commonly voiced notion that all children should have an opportunity to develop fully their range of human capacities, a demand usually tendered in a manner sufficiently vapid that no one could mistake such declarations for genuine statements of intent. The fulfilment of this goal implies an access to upbringing and education from the earliest stages of life that is not contingent upon, and, indeed, compensates for, limitations in household circumstances.

Socialism as presented here is thus truly radical, more so than conceptions associated with central planning. The transformational possibilities of socialism emerge from the notion that, in all societies, the mentality, repertoire of skills, knowledge and social attitudes of members of society are conditioned and contingent on social and economic institutions: they are not hard-wired biologically at or before birth. A central task for socialism is to engender in the population a facility for exercising democratic control over daily life and public affairs. The key public policy mechanism available for securing a social transformation of this kind is a programme, most especially from the preschool level to early adolescence, involving a substantial increase in the quantity and quality of resources devoted to formal education. Such a programme is not a fanciful or speculative one, as evidenced by the example of the elite's expenditure in this direction on their own children.

By itself, however, an aggressive public education programme is far from sufficient to permit the full development of a child's capacities: the household is the predominant and, at younger ages, the overwhelming influence on an individual's psychological and cognitive formation. The resources and the personal 'tutoring' that can be offered to children in households at the upper reaches of society will be difficult to replicate or compensate for in any programme of preschool and formal education, and most especially in societies evidencing high levels of social and economic inequality. Ambitious programmes of formal education must, therefore, be supported by a mitigation of household deprivation and insecurity if they are to have any chance of succeeding. Once we begin to view human beings not merely as commodities, but as individuals who plan and cultivate their own futures, deprivation and insecurity can be seen as factors that derange the ability of households to act as platforms in which formal education can take place in a fruitful manner.

The household and the general living environment are places of learning in themselves. An important part of a programme of equal opportunity involves efforts to extend generally the access to amenities, opportunities and stimulation accorded to the children of the well-off. The fact that

children grow up in households and live in the world gives the lie to the notion that one can pursue a social strategy of equality of opportunity in, for instance, formal education, but care relatively little about equality of outcomes. Societies that generate highly unequal outcomes for households in the present will also be creating a disparate range of opportunities for the children in these households. The claim that one can offer equal opportunity to all but preserve highly unequal outcomes is simplistic, and most probably false.

A socialist focus on individual development also gives substantial weight to full employment. It is, first, a component of the secure environment necessary for the household to pursue long-term plans for the cultivation of the human assets of its members, including formal education. Second, work that makes full use of personal capacities is an essential aspect of human development: the workplace is an invaluable venue for skill enhancement and the cultivation of social citizenship. All employment should be associated with opportunities for the development of skills as a structural, and not incidental, aspect of the work environment.

In addition to personal development, however, the socialist perspective recognises the inherently social nature of human existence. Socialism is, therefore, intimately linked to the presence of a second aspect: democracy. In contemporary usage, the latter term has often been used merely to indicate the absence of overt terror from the state, rather than in its original meaning of 'rule by the people'. It is impossible to reconcile notions of democracy with the authoritarian structures and practices that individuals presently experience in their daily life at work. The restructuring of the work environment to give workers real decision-making power in the enterprise, and the engendering, or re-engendering, of collective organisation through labour unions, are necessary aspects of democratic practice.

Democracy must, therefore, embody substantial levels of participation in decision making in the working and living environment on a regular, even daily, basis. This notion of social citizenship should pervade the schoolroom from the earliest years and do battle against powerful contemporary pressures to focus education exclusively on vocational goals (especially for those from less privileged backgrounds). The school should be a mechanism for the cultivation of democracy, not only in the substance of what the child learns, but in the way the school conducts itself: a key goal should be a resolution of issues surrounding discipline by early adolescence. The educational process should be one that elides naturally into democratic decision making in the workplace, in daily life and in the broader political sphere.

The ability to exercise democratic control in the broader society embodies the need for a genuine voice for the mass of the population in the conduct of politics, traditional freedoms of speech and conscience, and transparency in the operation of political and economic affairs. The inequalities in income and wealth that pervade capitalist society have always manifested

themselves in elite control over political processes and the flow of information and opinion through the media. But in an even more direct manner, capitalism impedes the development of a democratic polity. In the twenty-first century, the activities of multinational businesses and financial enterprises have profound effects on our daily lives through the worldwide restructuring of the economy and destabilisation of the financial and natural environment; enormous hidden transfers of wealth to tax havens take place, abetted by respectable institutions, that affect the destiny of nations, especially poor ones. The socialist asks: are these activities merely private affairs, and will they ever be made amenable to democratic scrutiny and control in the absence of a willingness to challenge the capitalist principle of the inviolability of private property?

A last, essential, but elusive aspect of socialism involves an undercurrent of solidarity stretching across humankind. Even in the midst of conflicts and problems within our own locality and nation, a socialist sensibility compels an awareness of the implications of acts of public policy for human beings worldwide and for those yet unborn. Thus, while the focus here is on socialist policies in the richest countries, the implications of these policies for the world's poorest will remain a central consideration in the background. These policies are also important in the context of a range of ecological issues, most especially those concerned with climate change.

The perspective above will inform our view of past efforts that have carried the label of socialism and permit us to judge when reform programmes can be viewed as truly radical. Part I, *Socialism and Central Planning*, reconsiders the dominant path taken to socialist reform in the past – state ownership of the means of production and central planning.

In Chapter 1, we see the genesis of the concept of planning in Enlightenment thinking as co-extensive with rationality: it involved a reconsideration *de novo* of all notions concerned with the functioning of the natural world and of society, and a programme of reconstruction of ideas and institutions on a rational basis. Planning as a dominant mode of regulation in society was subsequently contested by notions of spontaneous order, as hinted at by Adam Smith and then elaborated upon in modern times by, most especially, Friedrich Hayek. Hayek contended that society was capable of organising itself with an absence of central and conscious direction, and that inhibitions to this process of self-organisation of society were undesirable. The notion of spontaneous order in Hayek's conception – that much of what we value in our culture is the result of interactions between individuals at ground level, without planning from above – is unexceptionable. But his stronger notion that it is a virtue for society to have no sense of direction is absurd and disingenuous. His preferred form of spontaneous order – market capitalism – has always evolved, and continues to do so, in the context of conscious coordination and planning (and often coercion) from the state and other centralised agencies.

The continuing influence of the planning paradigm was, however, due not to its success in abstract debates but, as we shall see in Chapter 2, to the great transformation of economic and social life that took place in rich countries in the late nineteenth and early twentieth centuries. At the heart of this transformation was the emergence of giant firms that possessed characteristics departing significantly from their First Industrial Revolution progenitors. The new firms were seen to be the quintessence of modernity, dealing with an unprecedented range and complexity of tasks and creating organisational structures to cope with these tasks. Capitalism in its most modern manifestation was thus seen by many observers to be dominated not by the invisible hand of the marketplace, but by entities – giant firms – that planned and directed their own futures. What was often missed in the analysis of these developments was the extent to which giant firm planning was still embedded in a capitalist world of competition and finance.

For a broad range of observers, and especially socialists, as we will see in Chapter 3, Henry Ford's assembly line and state intervention during the Great War functioned as concrete exemplifications of how a whole economy might be planned, a perspective that developed into what will be called here the technocratic planning paradigm. The future socialist society could then be seen as 'one big factory', with the path already laid out by capitalism (albeit, for Marxists, with contradictions) in its most advanced aspects. While, for the mainstream of Anglo-Saxon free-market liberalism, capitalism was still to be characterised by markets and competition, in alternative perspectives, with both socialist and non-socialist variants, a new world had emerged: small firms and competition were atavistic remnants, with finance and marketing functioning purely as wasteful activities. An economy based on scientific and engineering principles was to be created, modelled on the planning and organisation taking place within the giant firm, but without the latter's gratuitous, wasteful elements. Adherence to this planning orthodoxy came to be the defining test of radicalism in socialist ideology: those having reservations about the submission of whole economies to the Plan were evincing a form of deviationism. Socialism became married to the planning paradigm, with social democratic reforms in education and social policy, even when highly successful, bereft of a unifying conception that linked them to a developmental strategy for society.

The Soviet attempt at planning and then the debate on socialist calculation are reviewed in Chapter 4. The failure of the Soviet economic experiment was not due to historical accident or contingent events, but resulted from weaknesses inherent in the concept of central planning as it emerged from the technocratic planning paradigm. In the debate on socialist calculation, a solution to the problems of centrally planned socialism was put forth: an alternative form of socialism was created that simulated the economic behaviour of a well-functioning capitalist free market. The ultimate demise of both these attempts at socialist construction – the Soviet

centrally planned alternative to capitalism and the market socialist solution of economic theory – is to be located in their inadequate conceptualisation of capitalist economic development. They both foundered on their failure to understand the roles played by competition and finance in the fostering of dynamism, economic growth and development in capitalism.

Chapter 5 traces the collapse of the planning paradigm. It notes the widespread perception in the post-Second World War period of a growing corporatism and monopoly, a notion derived from the earlier technocratic planning paradigm of Chapter 3. This perception suggested to Western socialists and social democrats that a transition from the capitalism of the day to an economy subject to rational control and planning was feasible and a natural extension of contemporary developments. But this strategy fell into disarray because the growth of sophisticated planning and coordination within individual enterprises did not make for a world of controlled, monopoly capitalism but, on the contrary, engendered an increasingly competitive atmosphere in which national strategies for a centrally directed national economy were not viable: the collapse of the Alternative Economic Strategy of the Labour Party in Britain in the 1980s is an egregious example. The demise of socialist alternatives to capitalism in rich countries can be traced to the failure of these planning strategies in their various manifestations and the absence of an alternative radical vision of the future.

A key reason for the failure of the socialist project in all its variants in the twentieth century is thus seen in Part I to be rooted in its incorrect analysis of capitalist development. But the underlying principle remains a sound one: a socialist strategy, if it is not to be utopian (in the worst sense of the word), should emerge wherever possible from the possibilities and trajectories offered up by present-day society. Part II, *Human and Economic Development*, serves as a bridge to the revised socialist strategy of Part III. It argues that education and equality are not gratuitous luxuries that societies can indulge in when they are rich enough. On the contrary, and especially in the modern world, both these factors have played a central role in human and economic progress, and their cultivation for socialist purposes is congruent with a rational strategy for economic development.

A central issue in contemporary economic and social discourse concerns the links between levels of formal education and a nation's economic growth; it has spawned a vast statistical literature, as will be seen in Chapter 6. This literature contains a range of questionable presumptions buried within the empirical procedures typically used. One problematic element is the treatment of technological change as a discontinuous event, imparting to it a magical quality that can cure a range of economic ills, as if it were an elixir. Technological change, in both its genesis and its diffusion, is, in fact, a social process: the boundary between innovation and improvement is less clear than suggested by contemporary orthodoxy and

the writings of Joseph Schumpeter. The review of the statistical literature is supplemented by a historical narrative that captures a range of considerations otherwise lost in discussions of this topic, including the manner in which education interacts with equality to promote economic, including technological, development. One fundamental disagreement here with the education–growth discussions typically found in both the public and academic spheres is their tendency to treat education as having value solely because of its efficacy in producing economic growth, even in the richest countries. For socialists and others wishing to show themselves to be practical and relevant in the current intellectual climate, the temptation to go along with this abnegation of the principles of human civilisation is to be resisted.

A broader vision of the role of education in society begins to be developed here and in subsequent chapters. Education is embedded in society. Mainstream considerations, however, are dominated, as will be seen in Chapter 7, by the theoretical perspective of the human capital literature. This individualistic approach is of limited use in understanding the complementary role that social context (including class) plays in formal education, with household wealth, fellow students and neighbourhood impinging on the educational process. In addition, individualistic approaches to the accretion of knowledge impede attempts to trace the societal impact of educational advance: the presence of external effects on learning will mean that the unfolding of the effects of enhanced education is likely to be manifest in society only with a substantial lag. By contrast, left-wing critiques have been equally inadequate, lurching from views in which education is seen to be a tool of capitalism to a range of utopian notions.

Missing from most discussions is the sense in which formal education in the modern world interacts with a broad range of other aspects of social functioning, as will be seen in Chapter 8. Classroom education is only one aspect of how individuals develop: many of the most important aspects of learning take place at work and in the process of living in society. Traditionally, individuals working and living in rich countries have been able to gain *in situ* advantages over others simply on this basis; there are good reasons for thinking that these advantages are dissipating more rapidly than heretofore. Public discussions concerned with learning in the workplace – training of various kinds – underline the class divides in society: for those headed for, or at, university, the discourse will often contain at least a perfunctory consideration of the role of this education in citizenship and of the need to acquire a broad-based range of skills for a lifetime of work. For the others – the majority of the population who do not pursue university education – education for citizenship is commonly not even broached as an issue, as if such individuals did not have the voting franchise. Acquisition of skills for this group, furthermore, is frequently discussed in terms of what suits the needs of employers, an approach which can, from the point of view