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The Mixed Economy, Socialist Style

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In the economic realm as elsewhere, socialist democracy represents both an extension of capitalist democracy, and a transcendence of it.

State intervention in the economy is the best example of what this means. The fashion in recent years has been to denigrate state intervention and to exalt the virtues of the market. Yet one of the most notable features of the history of capitalism from its beginnings right up to the present day has been its reliance on the state and its dependence upon it.

For the state is, by its very nature, inevitably involved in 'economic life' by virtue of the budgetary and taxation policies which it alone can promulgate and implement. But state intervention goes far beyond this. For it is the state, even in the regimes most dedicated to 'free enterprise', which provides capitalism with protection and help, not only in political, legal, police and military terms, but also in strictly economic terms as well, by way of subsidies, allowances, tariffs, concessions, contracts, rescue of failing banks and other enterprises, protection from foreign competition, and a host of other measures designed to help capitalist enterprise. So too has the state had to intervene in economic life in order to protect society from the depredations wrought by a capitalism which cannot afford to be unduly concerned with the individual and social costs generated by the logic of the system. Governments have had to save capitalism from itself, and to deploy on its behalf a consciousness which, left

alone, it has been unable to develop in relation to what is required for its preservation and strengthening. In short, the survival of the system has always depended on government intervention in the economy; and it is worth stressing how much, as a system of domination and exploitation, it has depended on the coercive power of the state.

In recent years, strenuous attempts have been made by market ideologists in government, spurred on by ideologists outside it, to reduce intervention to a minimum by deregulation and privatization, and to shrink the public sector in favour of the private one. But even they have been unable to do more than make a dent in the responsibilities which the deficiencies of 'free enterprise' impose upon governments. Again and again, conservative governments have been compelled, against their own dogmatic convictions, to attenuate and correct the failings of unregulated capitalism. They have done so reluctantly and unwillingly; and they, or rather their populations, have paid a heavy price for that reluctance and unwillingness, by way of economic decline, social neglect and individual suffering. Britain and the United States in the eighties are prime examples of the nefarious effects of the market dogmatism which guided the Reagan and Thatcher governments.

For its part, a socialist government would have a powerful interventionist vocation, and would consider intervention in economic life as a major responsibility. However, its interventionism would have purposes fundamentally different from those of anti-socialist governments and would take very different forms. For unlike such governments, a socialist government would be seeking not only to improve the performance of the economy or to attenuate its most manifest inadequacies, but to transform it altogether. In no way is this to suggest that state intervention would always and necessarily be of the right kind and achieve beneficial purposes. But the errors committed by a socialist government subject to democratic constraints would at least be due to a mistaken application of socially defensible purposes, rather than to the socially deleterious purposes so often pursued by conservative governments.

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The most far-reaching form of interventionism is clearly the transfer of enterprises from the private to the public domain. Conservative

and liberal governments, and authoritarian governments of the Right, have often in the past resorted to measures of public ownership, notably but not only in basic utilities; and there have been many instances in the twentieth century when mild social democratic governments have also embarked on programmes of public ownership. Indeed, there was a time when the extension of public ownership, to the point where it would encompass most of economic activity, was, at least in theory, part of a programmatic consensus on the Left.¹ For it was agreed that great economic power should not be wielded by private capitalists, that governments needed to control the levers of economic power, that private profit was not an acceptable criterion for economic activity, that economic democracy in the firm could only be achieved under public ownership – in short, that social ownership was an intrinsic part of the definition of socialism.

The debate in the ranks of social democracy therefore then centred not on whether the extension of public ownership was desirable, but on how much of it should be undertaken and what forms it should assume. Nor, in the case of the Labour Party in Britain, was there any vocal opposition until the late fifties to Clause Four of its constitution, with its commitment to the eventual public ownership of the means of production, distribution and exchange.² That clause, drafted by Sidney Webb in 1918 and incorporated in the revised constitution of the Labour Party, was intended to pacify rank-and-file activists at a time of great radicalism at the grass roots, and it never seriously affected actual policy. But there were few people until the late fifties who were willing to say that the commitment to public ownership was obsolete and altogether

¹ In the 1930s, quite moderate social democrats in Britain, such as Evan Durbin and Hugh Gaitskell, advocated (at least for a time) the nationalization not only of the Bank of England but of the joint stock banks as well; and more radical Fabians called then for the nationalization of insurance and building societies as well. See Elizabeth Durbin, *New Jerusalem: the Labour Party and the economics of democratic socialism* (Routledge and Kegan Paul, London, 1985), p. 168. For its part, the Socialist League, founded in 1932 as a pressure group for socialism in the Labour Party, and originally including a wide diversity of people, ranging from Clement Attlee to Aneurin Bevan and from R. H. Tawney to Harold Laski, had in its programme a demand for the immediate nationalization of the banks, land, the mines, power, transport, iron and steel, cotton, and the control of foreign trade.

² In *New Fabian Essays*, first published in 1952, Roy Jenkins, then as later on the right wing of the party, was pleading for 'a substantial extension of public ownership': 'Equality', in *New Fabian Essays*, ed. R. H. S. Crossman (J. M. Dent, London, 1970 edition), p. 83.

irrelevant to the achievement of socialist purposes. Even in the seventies, there were social democratic parties, for instance in Sweden with the Meidner Plan,³ and much more emphatically in France with the Common Programme of the Socialist and Communist Parties, which gave to the extension of public ownership a prominent place in their plans; and the French socialist government elected in 1981 did carry through a substantial programme of nationalization.

Since then, with the aggressive propagation of neo-liberal ideology in the eighties, and the Left in retreat before it, public ownership has all but disappeared from the social democratic agenda. It is now resolutely shunned, save for a very cautious and reluctant acknowledgement that there might be occasions when one or other measure of public ownership would be necessary. Nor even is there any great willingness to consider seriously the return to public ownership of the utilities, services and other enterprises which have been privatized by conservative governments. Public ownership is declared to be more than ever irrelevant to socialist purposes, and also electorally damaging; and there is also the argument that ownership has in any case undergone rapid changes, with a variety of institutions, like insurance companies and pension funds owning a growing proportion of shares, thus making obsolete many of the earlier arguments in favour of public ownership. Moreover, even though the percentage of shares in private ownership has greatly declined, a far greater number of people now own these shares than was the case in the past: 'people's capitalism', which was much touted in the United States a great many years ago, is now claimed to have arrived everywhere else in the advanced capitalist world, and to have been greatly enhanced by privatization.

This ignores the fact that by far the largest part of individual share ownership is highly concentrated.⁴ But in any case, the

³ The Meidner Plan envisaged the gradual transfer of shares from private firms into a 'wage-earner fund', which was intended to ensure, in the long term, a fundamental shift in the distribution of control in the Swedish economy. The plan, for all practical purposes, was stillborn.

⁴ 'There are many more shareholders [in Britain] than there were before privatization. In 1981, only 7 per cent of Britons held shares, says the Treasury. By 1992, 22 per cent did. But the newcomers' stakes are tiny. Even before the sale of the last slab of BT's equity in July [1993], 54 per cent of its shares were held in blocks of less than 400... More than half of those who snapped up privatization issues own shares in no more than one company.' *The Economist* (6–12 November 1983). The same source notes that individual owners still account for half the value of the New York exchange and a third of Paris's, whereas in Britain they hold just 20 per cent by value of British shares.

argument also fails to take into account the fact that, however ownership is distributed, the *control* of enterprises remains vested in a small group of people, whose primary concern is, and is indeed required to be, the interests of shareholders. Nor is the point affected by the fact that the same people are in control of vast pension funds. Privatization further reduces the capacity of governments to 'interfere' with business activity. The regulation of what have become private monopolies is generally weak and limited, intentionally so. A significant recent example of the abdication of responsibility by government which privatization involves is provided by the decision of Michael Heseltine, the Secretary of State for Trade and Industry, in October 1992, to close 31 pits and thus throw 30,000 miners out of work at a time of mass unemployment. The uproar this produced caused the government temporarily to reprieve a few of the threatened pits, but the point which Heseltine made again and again was that, in a 'free society', he could not compel the (recently privatized) electricity industry to enter into contracts with the coal industry which were 'uneconomic'. In fact, the point Heseltine was unwittingly underlining was that a democratic government which did not have ultimate control over the major decisions of enterprises must find it very difficult to impose upon them policies congruent with social purposes which their controllers do not share and to which they are opposed.

The point applies with great force to the banking system and financial institutions. No society can be deemed to be democratic in which crucial financial decisions are taken by small groups of people, with no democratic credentials whatever, whose first concern is the profitability of the institutions which they command, and who enjoy a remarkable degree of freedom from government 'interference'.⁵ Banking and finance are too serious a business to be left to the mercies of bankers and financiers: no socialist government could tolerate a situation where its purposes, legitimated by the democratic process, would be stymied by such people. They are not, and cannot be, the custodians of the common good; and the mistakes in policy

⁵ It was this freedom which made it possible for United Kingdom firms to engage in direct foreign investment in the eighties to an amount representing 65.6 per cent of net direct business investment. The next largest such investment was made by German firms, with 16.1 per cent: A. Glyn and B. Sutcliffe, 'Global but leaderless? The new capitalist order', in *The Socialist Register 1992*, eds R. Miliband and L. Panitch (Merlin Press, London, 1992, and Monthly Review Press, New York, 1992), p. 85.

they are driven to make in their search for greater profits (as in their accumulation of bad debts), not to speak of the endless scandals and misdemeanours which attend the management of banking and finance, constantly reinforce the point, or should do so.

The propagation of the view that public enterprise is inherently beset by crippling vices has traditionally been one of the main ideological and political endeavours of anti-socialist ideologues, politicians and commentators, united on this as on nothing else; and their endeavours have been greatly helped by the experience of Communist regimes, where public enterprise, imprisoned in an authoritarian system and in a comprehensive command economy, did have many of the negative features attributed to public enterprise as such. Closer to home, the experience of public ownership under social democratic auspices did not help either. For it was not intended by social democratic leaders in government that public enterprise should be more than an adjunct to capitalist enterprise, with as little departure as possible from business lines in the direction of socialization under democratic control.⁶ Proposals by the Labour Party for getting the private sector to help finance infrastructure investment are well in line with this approach.

The ideological shift which has occurred on the Left in regard to the socialization of the economy, even as a long-term prospect, is very remarkable; and that shift, it should be noted, occurred well before the growth of multinational companies was taken to mean that nationalization was no longer feasible. What was proposed instead was the greater regulation of business. This, however, fails to take account of the fact that regulation, in areas where business is strongly opposed to it, is fraught with great difficulties, which can only be overcome by a large bureaucratic apparatus and draconian penalties for failure to comply. Regulation of private business, in a democratic context, has a limited and uncertain reach. Public ownership avoids most of the problems which regulation encounters: the latter is no substitute for the former.

The virtual rejection of nationalization by most social democratic

⁶ For an instructive account of the various and stultifying constraints to which nationalized enterprises in Britain were subjected from 1945 onwards, see R. Saville, 'Nationalization', in *The Labour Government 1945-51*, ed. J. Fyrth (Lawrence and Wishart, London, 1993). It is also relevant, as Saville notes, that the boards of nationalized utilities and industries were mainly composed of businessmen and military men who had no interest in the larger hopes which socialists (but not Labour ministers) invested in nationalization.

parties has in effect meant the abandonment of any attempt to bring about a fundamental transformation of the economy and therefore of the social order itself. What makes the shift all the more remarkable is that there was nothing in the nature of capitalism which warranted it. For, as will be argued below, the negative features of that experience were not *inherent* in public ownership, but the result of a context deeply hostile to its serving any purposes other than those dictated by the logic of capitalism.⁷

3

A major criticism raised against public enterprise is that it fatally discourages entrepreneurship and innovation, and therefore makes for stagnation, obsolescence and inefficiency. Thus, Brus and Laski, writing from within the left spectrum, ask whether entrepreneurship is 'at all imaginable for economic actors who are not principals operating on their own risk and responsibility, but only agents employed by a public body which itself is rather unfit for entrepreneurial behaviour'.⁸

There are a number of possible answers to the question. One of them is that the authors seem unduly influenced by Communist experience. They themselves note the negative economic consequences of a political system which paralysed individual initiative and boldness at all levels of the productive process, most of all for managers for whom a minimal condition of survival was acceptance of directives from on high.⁹

Public enterprise in a socialist democracy would not be run on any such basis. Also, a different answer to the question which Brus and Laski pose is that most economic actors in capitalist corporate enterprise are not 'principals' operating at their own risk, but agents of the corporation who own at most a small fraction of its stocks and shares. These people may run some risk in the exercise of

⁷ As Robin Murray notes in relation to the pattern of nationalization in Britain, 'the Morrisonian corporation is designed... to strengthen management, and weaken workers, users and politicians': 'Ownership, control and the market', *New Left Review*, 164 (July-Aug. 1987), p. 103.

⁸ W. Brus and K. Laski, *From Marx to Market: socialism in search of an economic system* (Oxford University Press, Oxford, 1989), p. 59.

⁹ *Ibid.*, p. 47.

entrepreneurship, namely that of being dismissed or demoted for inadequate performance, though this risk, at the uppermost levels of corporate managerialism, is small. In any case, the same risk applies, or could well be made to apply, to the managers of public enterprises. Indeed, it could well be made to apply a lot more strongly in public enterprises than is the case in the private sector, where top managers form part of a protected environment and easily move from one top job to another. It is only gross fraudulence which is seriously punished.

Another answer to the question of whether public ownership can foster efficient and innovative economies is provided, paradoxically enough, by the experience of countries which are extolled as shining examples of unfettered capitalism, namely those of the Asian Pacific Rim. As Jeffrey Henderson and Richard Appelbaum, among other writers on the subject, have noted, 'state policy and influence should now be accepted as the single most important determinant of the East Asian economic miracle'.¹⁰ State intervention in these countries took many forms, which varied in scope and character; but they included, notably in South Korea and Taiwan, a large and powerful state sector.¹¹ In addition, there were the creation of new private industries by way of subsidies and direction, protection from foreign imports, the setting up of government-sponsored research facilities, the expansion of education. In South Korea, the state also initiated a major land reform which 'destroyed the land-owning class and created a large population of small farmers that, with state support, dramatically improved agricultural productivity'.¹²

¹⁰ R. P. Appelbaum and J. Henderson (eds), *States and Development in the Asian Pacific Rim* (Sage, Newbury Park, Calif., London and New Delhi, 1992), p. 23.

¹¹ In Taiwan, 'in 1952, as much as 57 per cent of total industrial production... and 56.7 per cent of manufacturing output were accounted for by public corporations.' 'By the early 1980s, the share of the public sector had been reduced to less than 20 per cent, but the government remains dominant in such fields as heavy machinery, steel, aluminium, shipbuilding, petroleum, synthetics, fertilizers, engineering, and, recently, semi-conductors'. A. H. Amsden, 'The state and Taiwan's economic development', in *Bringing the State Back In*, eds P. B. Evans, D. Rueschmeyer and T. Skocpol (Cambridge University Press, Cambridge, 1985), p. 91. Also, 'almost every bank in Taiwan is... wholly or partially owned by the state (foreign banks were not allowed to establish operations until 1969). The lending activities of all financial institutions have been under strict state supervision' (*ibid.*, p. 91).

¹² M. Castells, 'Four Asian tigers with a dragon head: a comparative analysis of the state, economy and society in the Asian Pacific Rim', in Appelbaum and Henderson, *States and Development in the Asian Pacific Rim*, p. 42.

The most remarkable example of successful state intervention in a capitalist economy is Japan, whose 'economic miracle' is largely due to it. As Chalmers Johnson notes, Japan is the best example of a state-guided market system currently available, the guidance being provided by the bureaucrats of the Ministry of International Trade and Industry (MITI), who have a direct and intimate involvement in the fortunes of what are taken to be 'strategic industries'.¹³ As Chalmers Johnson also notes, Japan provides a good example of the interaction of two sub-systems, one public and geared to developmental goals, the other private and geared to profit maximization; and this has involved the penetration of government at micro-economic as well as macro-economic level, and the wielding of much influence over whole economic sectors, whole industries or individual enterprises.¹⁴

However, these countries are hardly to be taken as exemplars of socialist democracy. State intervention in Japan occurred under a regime which Chalmers Johnson calls 'soft authoritarianism', marked by the uninterrupted rule of one party and a remarkable degree of freedom and power for the bureaucracy. Also, economic growth in the 'four tigers' – South Korea, Taiwan, Singapore and Hong Kong – occurred under the auspices of authoritarian regimes which were not 'soft' at all; and this of course made effective intervention a great deal easier. This raises a crucial question: how far would a socialist government, operating in a context where democratic forms make opposition possible, be able to enforce its will on private business? The chances are that it would be nothing like as successful as was the case in authoritarian regimes. This is why public ownership is an inescapable condition for the effective control and regulation of the more important parts of economic activity. Even so, it is quite clear from the experience of the countries of the Asian Pacific Rim that the notion, so assiduously peddled by ideologues of the Right, that state intervention and public enterprise are inherently inefficient and destructive of entrepreneurial initiative is not well founded.

The same conclusion must be drawn from the experience of public ownership in capitalist democratic countries. For publicly owned firms in these countries have shown again and again that they were perfectly capable of doing at least as well, in strict efficiency terms,

¹³ C. Johnson, *MITI and the Japanese Miracle* (Stanford University Press, Stanford, Calif., 1982).

¹⁴ *Ibid.*

as firms in the private sector. The evidence strongly supports the quite modest claim of Bob Rowthorn and Ha-Joon Chang that 'as far as large-scale enterprises are concerned, there is no activity which the public sector cannot in theory perform as efficiently as the private sector.'¹⁵ Similarly, the authors of a study of public enterprise in Western Europe conclude a chapter on the performance of the public sector with the observation that 'the wave of nationalisation in France after 1981, and the present day trend towards privatisation in a number of European countries, may owe as much, if not more, to political considerations as to economic rationality.'¹⁶

The drive to privatization should be seen for what it is – a *political* enterprise based upon the wish to widen the scope of the private sector, to weaken government's capacity to direct economic life according to criteria determined by democratic deliberation and decision, to foster 'popular capitalism' and thereby strengthen conservative propensities among new shareholders, to make more difficult the extension of the public sector by a government of the Left, and to raise revenue from the sale of what Harold Macmillan (by then Lord Stockton) called the 'family silver'. Privatization is an up-to-date and extreme application of the demand that business should be left free from government 'interference' – except of course where government help to business is required, at which point interference turns into sound economic policy.

What the private sector can achieve can be done at least as well by the public one, given a favourable context; and public enterprise also makes possible, even though it does not make certain, the avoidance of the failings which the micro-rationality of private enterprise imposes upon it. There is another aspect to this: public enterprise makes possible a democratization of economic activity far beyond anything that capitalism can achieve. More will be said about this presently.

¹⁵ R. Rowthorn and Ha-Joon Chang, 'The political economy of privatization', in *The International Theory and Practice of Privatization*, eds T. Clarke and C. Pitelis (Routledge, London and New York, 1993), p. 59. For a positive assessment of the French experience of public ownership, see P. Dreyfus, 'The efficiency of public enterprise: lessons of the French experience', in *Public and Private Enterprise in a Mixed Economy*, ed. W. J. Baumol (Macmillan, London and Basingstoke, 1980). For a negative assessment of a number of public enterprises in Britain in the seventies, see R. Pryke, 'Public enterprise in practice: the British experience of nationalization during the past decade', in the same volume.

¹⁶ H. Parris, P. Pestieau and P. Saynor, *Public Enterprise in Western Europe* (Croom Helm, Beckenham, 1987), p. 150.

What then of the problem which the internationalization of capital would pose to a socialist government determined to extend public ownership?

Much here depends on what firms, industries, utilities or services are in question. There is a great difference to be made between firms which are owned by foreign multinational companies, and the rest. Thus, Robin Murray notes that 'today, the nationalization of Ford UK would give public control over factory buildings, an assembly line which would be starved of key inputs from Ford Europe, and components which would be largely useless outside Ford Europe's production and marketing operations.'¹⁷

'The answer', he suggests, 'may be to support the expansion of a British-based firm or – where indigenous production no longer exists – to adopt a strategy for rebuilding it.'¹⁸ This would certainly be on the government's agenda; but it may well be that, meanwhile, a socialist government would not make the public ownership of foreign-owned subsidiaries one of its priorities.

A lot, however, turns on how large a part of a country's economic resources is owned by foreign firms. Murray also suggests that 'an important part of British industry' is made up of foreign-owned branch plants.¹⁹ In fact, the great majority of British corporations, not to speak of smaller units, remain wholly or largely British owned; and the same predominantly national ownership is true for other advanced capitalist countries, even though foreign companies, notably American and Japanese, have made inroads in their industrial, commercial and financial sectors.²⁰ One of the main features of dependency in countries of the 'third world' is that foreign companies do actually *dominate* these sectors, which does make outright nationalization an exceedingly difficult enterprise in economic terms, and also in political ones. The best that can be hoped for in such circumstances is for a socialist government to negotiate new terms

¹⁷ Murray, 'Ownership, control and the market', p. 91.

¹⁸ *Ibid.*

¹⁹ *Ibid.*

²⁰ Thus, Glyn and Sutcliffe note that typically in advanced capitalist countries, 5–10 per cent of capital stock is owned overseas, and that this 'presents a picture of important but hardly overwhelming internationalization of production': 'Global but leaderless?', p. 84.

on which the activities of foreign firms are conducted, including partial and gradually extended state ownership.

Where foreign ownership is confined to a part interest in a given enterprise, the remaining ownership in the hands of local owners could be transferred to the public sector, thus creating joint ownership with foreign owners, with the public controllers clearly predominant.

On this view, the internationalization of capital does not, for advanced capitalist countries, present any major technical obstacle to the socialization of an important part of economic life, though it may well present other problems. Foreign firms might well decide to close the operations of their local subsidiaries, not because they were under threat of public ownership, but because they did not like the whole thrust of government policy and feared its consequences. It would be for the government to decide whether it was possible to replace them with nationally owned firms. Nationally owned firms might also think of emigration: a socialist government would have to decide whether to prevent them from doing so.

The point also needs to be made that though socialization is technically possible, its pace is not thereby determined. The aim is to achieve the socialization of a predominant part of the means of economic activity; but how rapidly this should be done is an open question, subject to many different considerations. A socialist government, having been brought to power by a great wave of popular support, would no doubt want to make a beginning with the programme of socialization to which it was committed. On the other hand, a substantial programme of socialization (or de-privatization) presents many problems; a socialist government would have to take the long view and see socialization as a process extending over many years, on the basis of well-laid and flexible plans.

Among other problems it would need to cope with, the government would have to decide how to deal with the issue of compensation to shareholders for firms taken into public ownership. It is not possible for a democratically elected government to adopt a policy of simple confiscation, not least because this would be unjust to many small investors, among whom must be counted many wage-earners. On the other hand, immediate compensation in full would saddle the government with crippling burdens at a time when money was badly needed elsewhere. The solution would probably lie in compensation by way of the issue of government bonds, redeemable

over an extended period of time; and a considerable degree of differentiation would also have to be made between small and large investors, with facilities for more rapid redemption available to small investors.

However carefully the government sought to proceed, its measures would be certain to produce strong internal opposition, and also opposition of an even more formidable character from governments committed to neo-liberal policies, and from international institutions like the IMF, the World Bank, the European Commission and other international institutions, for all of which economic interventionism and socialization constitute mortal sins. How a socialist government would deal with this opposition is discussed at length in chapter 6.

5

A socialized economy would consist of three distinct sectors. First, there would be a predominant and varied public sector. Secondly, there would exist a substantial and expanding cooperative sector. Thirdly, there would endure a sizeable privately owned sector, mainly made up of small and medium firms, with an important part to play in the provision of goods, services and amenities.

The public sector in a socialist context would assume a number of different forms, with economic units owned and managed by the central state, regional and municipal authorities, and with various forms of democratic control, depending on the nature of their activities. They would be subject to competition from alternative sources of provision of goods and services, either from other public sector firms or from private ones.

Public sector enterprises would enjoy a high degree of autonomy in the running of their own affairs. This cannot, however, amount to complete autonomy – a situation which does not even apply to capitalist firms in non-interventionist capitalist regimes. A socialist government would want to retain a decisive say in a number of realms to ensure compliance with its macro-economic policies and objectives, and with its concerns about health and safety, employment and the rights of workers. The government would have an ultimate power, sparingly applied, to intervene in matters of investment, pricing, location and other issues of concern beyond those of the firm. Even with publicly owned firms, there would be a tug of

war between them and the government, based on differences that are likely to arise between the interests of the firm, as perceived by managers and employees, and the government's policies. André Gorz notes that

there exists, up till now, no other science of management except the capitalist one. The question is solely to what extent the criteria of economic rationality should be subordinated to other types of rationality within and between companies . . . Socialism must be conceived as the binding of capitalist rationality within a democratically planned framework, which should serve the achievement of democratically determined goals, and also, of course, be reflected in the limitation of economic rationality within companies.²¹

The point is obviously germane to public enterprises but is clearly a source of potential conflict.

Also, the controllers and managers of public enterprises would be subject to scrutiny from various sources – trade unions and workers' councils, committees of the legislature, consumer councils, the press. These are qualifications to the notion of autonomy which a democratic order clearly requires. 'Management' in a socialist context cannot be taken to mean decision making by a small number of people at the head of the enterprise, free from a considerable measure of democratic control. Public enterprise in such a context must be taken to include as a matter of course the greatest possible degree of participation in the determination of policy by everyone employed in the enterprise who wishes to be involved, and the attribution of real power to employees in regard to all issues which most directly affect them – for instance, health and safety, the process of production, conditions of work etc. One of the main purposes in moving from private to public enterprise is to affect decisively 'relations of production' and to create conditions which approximate as closely as possible to what Marx called the 'free association of the producers.'

It is as well to recognize, however, that here is another point of tension because of contradictory pulls. So long as a distinction between management and employees endures, there is bound to be an area of dispute in regard to the prerogatives of management on the one hand and the right to participation by employees on the

²¹ A. Gorz, 'The new agenda', in *After the Fall: the failure of Communism*, ed. R. Blackburn (Verso, London and New York, 1992), p. 296.

other. The point about public enterprise in the context of socialist democracy is that its spirit would be such as to make the conflicts that do arise capable of being resolved without bitter confrontation, though the possibility of such confrontation cannot be discounted. Managerial prerogatives have always been a subject of fierce contention, with managers determined to surrender as little as possible of their power over employees – not surprisingly, since they represent interests fundamentally opposed to those of employees. There would be no such fundamental opposition of interests between the ‘two sides of industry’ in the socialized sector of the economy. For the first time, there would come into being a genuine community of interests between all those engaged in the work of the firm, irrespective of their location in the process of production; and this could be expected to produce a spirit in the enterprise altogether different from that which prevails in capitalist enterprise. This is not to say that a socialized enterprise would bask in perpetual sweetness and light, but it is nevertheless the only form of enterprise in which community of purpose could be made to acquire real meaning.

As noted earlier, state enterprises are only one part of the public sector. Another is constituted by the large range of activities undertaken by regional and municipal authorities, notably in the provision of services and amenities. There is of course nothing new in this: regional and local authorities in many countries are responsible for theatres, opera houses, restaurants, daycare centres, summer camps, swimming pools, leisure facilities of every sort – quite apart from the services which they render as part of their statutory duties. Socialist democracy would widen the scope of their activities, and require that what they do should involve as much citizen participation as possible.

Local and regional authorities would also be involved in the activities of a host of small and medium firms located in their region, and based on ‘flexible specialization’. Such involvement was one of the notable features of economic development in the 1980s, with local and regional government providing a variety of services to these firms. ‘Local governments, banks, employers associations and trade unions’, one writer noted, ‘work together to regulate the local economy and provide collective access for small firms to key services from factory premises, loan finance and marketing to research

and development training and technical education.²² Here too, a socialist regime would encourage this kind of decentralized cooperation between local and regional authorities and enterprises.²³

In this connection, and more generally, an important concern of a socialist regime would be to strengthen another sector of the economy, namely the cooperative sector, in the field of production as well as distribution, and in the provision of services. Cooperatives now play a very subsidiary role in capitalist economies.²⁴ A socialist regime would make it its business to help cooperative enterprises play a much more important role in the economy than has ever been sought by bourgeois regimes.²⁵

As noted earlier, an economy that had been largely socialized would nevertheless comprise a large scatter of small and medium-sized firms, individually owned and controlled. To accept the existence of such firms for an indefinite period of time – indeed as a permanent and desirable feature – must no doubt offend purists. But it should be recognized that a private sector of this kind has a number of advantages. It introduces an additional element of competition in the provision of goods, services and amenities. It gives an opportunity to individuals who are so inclined to try their hand at independent ventures, and to experiment with new products and services. A socialist regime would not only find this acceptable, but would actively encourage such individual initiatives. But it would at the same time see to it that the private sector remained a subsidiary part of the economy as a whole.

²² J. Zeitlin, ‘Local industrial strategies: introduction’, in *Economy and Society*, Special Issue: Local Industrial Strategies, 18, 4 (November 1989), p. 369.

²³ For an account of what was done in this area by the Labour-controlled Greater London Council in the eighties, see M. Mackintosh and H. Wainwright, *A Taste of Power: the politics of local economics* (Verso, London and New York, 1987).

²⁴ Even the legendary Mondragon cooperative venture in the Basque country has been a marginal adjunct to the Spanish economy: ‘By the end of the 1970s,’ H. Thomas and C. Logan note, ‘there existed in the province a modern cooperative system of technical education, 70 cooperative factories with a workforce of more than 15,000 cooperators and a credit coop bank with 93 branches and 300,000 deposits.’ H. Thomas and C. Logan, *Mondragon: an economic analysis* (Allen and Unwin, London, 1982), p. 1.

²⁵ For a discussion of the problems which affect cooperative enterprises, see e.g. J. Elster, ‘From here to there; or if cooperative ownership is so desirable, why are there so few cooperatives?’, in E. F. Paul et al., *Socialism*.

6

What is the place of planning and markets in a socialist economy?

The first thing to be said about planning in a socialist democracy is that it would bear no resemblance to the Stalinist model of total, comprehensive, detailed planning in which all enterprises were required to conform to the plan, with no reference to the market. This was not how planning had been conceived after the Bolshevik Revolution. Alec Nove notes that Trotsky, speaking in 1922 of a 'transitional period', had said that 'it is necessary for each state-owned factory with its technical director to be subject not only to control from the top – by state organs – but also from below, through the market, which will remain the regulator of the state economy for a long time to come.'²⁶ R. W. Davies also notes that 'until 1928 every one assumed that plans must be made compatible with market equilibrium, and with a non-coercive economic relationship with the peasantry.'²⁷

Stalinist planning brushed all qualifications aside. It is now fashionable to view it as a total disaster; and so it was in terms of the horrendous human and material costs which it exacted. But it was a great deal more effective in setting the Soviet Union – and later other Communist countries – on the path of rapid industrialization than is generally acknowledged. Indeed, its achievements, in strictly quantitative terms, were, as Paul Kennedy notes, nothing short of staggering, 'first in the production of steel, pig iron, coke, oil,

²⁶ A. Nove, *Socialism, Economics and Development* (Unwin Hyman, London, 1986), p. 33. In 1923, Trotsky was also saying that 'for the next period . . . we shall have a planned state economy, allying itself more and more with the peasant market and, as a result, adapting itself to the latter in the course of its growth.' But, he added, 'although this market develops spontaneously, it does not follow at all that state industry should adapt itself to it spontaneously. On the contrary our success in economic organization will depend in large part upon the degree to which we succeed, by means of an exact knowledge of market conditions and correct economic forecasts, in harmonizing state industry with agriculture according to a definite plan': L. Trotsky, 'The new course', in *The Challenge of the Left Opposition (1923–5)* (Pathfinder Press, New York, 1975), p. 119.

²⁷ R. W. Davies, 'Gorbachev's socialism in historical perspective', *New Left Review* 179 (Jan.–Feb. 1990), p. 9. Davies adds, however, that 'all Communist economists assumed that this was a transitional stage; eventually planning would replace the market, and product exchange would replace trade' (ibid.).

machine tools, diesel and electric trains, cement, mineral fertilizers, tractors, shoes, prefabricated concrete structures' as well as 'one of the most comprehensive educational systems in the world' and the provision of 'more active physicians . . . than any other country in the world.'²⁸ This success of Soviet planning obscured its cost and the waste that went with it; and it greatly helped to spread the popularity of the idea of planning in the thirties. So did the element of planning which governments undertook in World War II and in the years of reconstruction after it. In a book published in 1978, Stuart Holland noted that even 'in the 1960s virtually every leading Western European country – with the exception of West Germany – was committed to some kind of economic planning', which he defined as 'the combination of indicative targets and aid and incentives'.²⁹ Fashions quickly changed thereafter. As Holland also notes, 'in the 1970s the flight from planning has been dramatic',³⁰ and it became even more so in the eighties.

Yet this is in some ways misleading. For despite all rhetoric, the fact is that some measure of planning is engaged in by all governments in advanced capitalist countries, however dedicated such governments may proclaim themselves to be to 'free enterprise', the market economy and non-interference in economic life. Governments, of whatever complexion, are compelled to set targets for a range of projects which they cannot avoid undertaking, and must allocate resources for the purpose. Defence is an obvious case in point, where the development and production of weapons, tanks, aircraft, warships etc. have to be planned in detail for years and even decades ahead. The same goes for programmes of road construction, airports, the building of schools, hospitals, prisons etc. Whether governments use private firms or publicly owned ones for the purpose is in this respect largely irrelevant, save for the fact that publicly owned firms are much more readily accountable than private ones, and therefore much less likely to engage in the kind of profiteering which has been a familiar part of the practice of firms engaged in government work. Capitalist governments are deeply involved in issues of cost, performance and delivery, even though their system of control is

²⁸ P. Kennedy, *Preparing for the Twenty-First Century* (HarperCollins, London, 1993), p. 229.

²⁹ S. Holland (ed.), *Beyond Capitalist Planning* (Blackwell, Oxford, 1978), p. 1.

³⁰ Ibid.

generally weak. It is government which has to decide on priorities, and plan for their realization. Where governments neglect this obligation, the results are grievous. Thus, Robert Heilbroner, writing in 1991, noted in relation to the United States that 'for something like twenty years the condition of our infrastructure – our streets, highways, bridges, tunnels, airports, navigation facilities, and water and sewage systems – has been steadily deteriorating for lack of adequate investment.'³¹ Nor can 'the market' be expected to compensate for government neglect. It is no part of business, nor can it be, to initiate projects which are inherently the responsibility of government. It is precisely market forces which induce firms *not* to invest in projects which are essential to society's well-being, but which hold no promise of profit to them.

The planning favoured by socialist governments would involve the setting of targets for key sectors of the economy, encompassing the infrastructure, public utilities, other major elements in the productive process, and also provision for training, education and a variety of services. The targets would be subject to regular reappraisal and modification as circumstances required; and they would be achieved by a combination of 'indicative' and 'imperative' planning, with the government using various inducements and pressures as well as instructions to achieve purposes which had been subject to democratic determination.

Both Japan and France provide much experience of the weapons which are at the government's command if it is determined to play a positive role in the steering of economic activity. Martin Cave and Paul Hare note that 'in a mixed economy like France . . . the ability of authorities to implement the plan is restricted.'³² Nevertheless, the 'indicative' planning current under the relatively weak regime of the Fourth Republic was highly successful in what it sought to achieve. By the mid-sixties, under the Fifth Republic, planning had ceased to be a serious instrument of economic policy. Nor did the Mitterand regime seek to give it new strength. But it did set out 'priority programmes', as in the Ninth Plan, for 1983–8, which included such goals as the modernization of industry, education and training, the development of communication industries, employment policies and

³¹ R. Heilbroner, 'Lifting the silent depression', *New York Review of Books*, XXXVIII, 17 (24 October 1991), p. 6.

³² M. Cave and P. Hare, *Alternative Approaches to Economic Planning* (Macmillan, London, 1981).

so on. The plan had little influence on the policies of a government bent on policies of 'austerity' and retrenchment. A different kind of socialist government would also have its 'priority programmes', but it would pursue them in a very different spirit.

Markets would have a definite place in a predominantly socialized economy. But market forces, in such an economy, would not be the ultimate determinant of economic life. The submission of the economy to unregulated market forces means the abdication by government and the society which sustains it of responsibility for deciding what needs to be done for the common good and the achievement of social justice. Indeed, it means the return of the 'invisible hand' and the destructive assumption, contradicted by ample evidence, that what the market dictates necessarily results in the common good. A socialist economy would not be ruled by such market fetishism.

One of the major objectives of a socialist government, operating in the context of a mainly socialized economy, would be to extend the area of 'decommodification', from which market forces are excluded. Such 'decommodified' areas already exist in capitalist economies, and are largely the product of pressure from below in the decades following World War II to ensure that access to health, education and other services should be viewed as rights inherent in citizenship, without any regard to ability to pay. As G. Esping Andersen puts it, 'the outstanding criterion for social rights must be the degree to which they permit people to make their living standards independent of pure market forces.'³³ This notion of citizenship constitutes an essential difference between socialism and conservatism, with the latter concerned to reduce the area of 'decommodification' and to establish the principle that provision of services and benefits free from ability to pay should be confined, on strict criteria of eligibility, to the most deprived and destitute members of society. The privatization of services is part of this endeavour.

Alec Nove makes the point that 'health, education; (public) housing, posts, urban public transport, environmental protection, water supply, street lighting and cleaning, parks, etc. are not (should not be) provided because of a desire to make money.'³⁴ How far and

³³ G. Esping Andersen, *The Three Worlds of Welfare Capitalism* (Polity Press, Cambridge, 1990), p. 3.

³⁴ A. Nove, 'Markets and socialism', *New Left Review*, 161 (Jan.–Feb. 1987), p. 102.

how soon such a list (which is hardly revolutionary) should be extended is a question that cannot be settled in advance. For his part, Ernest Mandel adds to it 'cultural and information (communication) services and basic foods and clothing'; and this, he notes, would cover 'between 70 and 80 per cent of civilian expenditure in most of the industrialized countries of the world'.³⁵ This probably goes well beyond what is possible in the relevant future; but the principle that decommodification should cover an extended area of life is an essential part of socialism. This does not mean the imposition of a uniformity of consumption and the absence of choice. Decommodification is not in the least intended to create a 'dictatorship over needs'; and it is not at all incompatible with the provision of a wide range of goods and services which would remain subject to the market.

A social order in which basic needs are no longer subject to ability to pay would create conditions in which a sense of community, diffused through the whole of society, would be encouraged to flower and would enrich both individual and social life. The notion of 'basic needs' is often repudiated by anti-socialist writers in the name of a wholly spurious relativism. Thus, one such writer, John Gray, speaks of 'the incommensurability of preferences and values in modern societies, which sustain a diversity of traditions and ways of life', which are allegedly 'evaded by theories of basic needs or primary goods which suppose that these can be made the objects of public provision by institutions whose mode of operation is subject to democratic control'; this is rejected on the ground that the 'ranking among basic needs [is] a matter of intractable dispute unresolvable by reason', and that 'their content and definition of the needs itself will vary across different traditions and ways of life'.³⁶ In fact, there is no real problem in identifying basic needs, as the same author acknowledges in a different publication.³⁷ There may be argument as to how far the list of such needs should be extended, but it is perfectly possible to settle this by reason.³⁸

³⁵ E. Mandel, 'The myth of market socialism', *New Left Review*, 169 (May-June 1988), p. 112.

³⁶ J. Gray, 'Marxian freedom, individual liberty, and the end of alienation', in *Marxism and Liberalism*, eds E. F. Paul, F. Miller and J. Paul (Blackwell, Oxford, 1986), p. 181.

³⁷ J. Gray, *Beyond the New Right* (Routledge, London, 1993), *passim*.

³⁸ For an interesting discussion of the issue, see L. Doyal and I. Gough, *A Theory of Human Needs* (Macmillan, London, 1991).

Clearly, goods, services, benefits, amenities that had been wholly or largely decommodified would still have to be paid for; and the payment would mainly take the form of various types of direct and indirect taxation. Neo-liberal dogma has turned direct taxation into one of the great hate-phrases in its repertoire. But as Mr Justice Frankfurter once put it, 'taxation buys civilization.' Even so, it is never likely to be very popular, but it can be made acceptable if the burden is spread fairly. A socialist government would have this as a major aim. It would, in a transition period in which exorbitant incomes and great wealth had not been wholly eliminated, clearly place the heaviest burden of taxation upon them; and it would also seek to close off the many loopholes whereby corporations greatly reduce the taxes they pay, or avoid paying them altogether. The point is to move towards a situation where the vast inequalities of income and wealth typical of a capitalist society would have been steadily diminished; and this could be expected to foster a greater willingness on the part of most people to view both direct and indirect taxation as a necessary price to pay for the amenities which benefit them and society at large.

In the sixties and seventies, at a time when unions were relatively strong and influenced by the militancy of their members, great efforts were deployed in many capitalist countries (not least by social democratic governments) to implement incomes policies that would contain and subdue wage demands: in this realm at least, market forces were then thought to be detrimental to the 'national interest'. These endeavours achieved varying degrees of success,³⁹ but success largely meant that the main burden of the policies fell on wage-earners. As always in a capitalist context, such policies meant in practice that it was they, rather than employers and others in higher income groups, who were detrimentally affected. By the eighties and the early nineties, different forms of pressure on wages had come into operation: mass unemployment, the attack, in Britain and elsewhere, on trade union rights, with the consequent retreat from militancy by wage-earners.

A socialist government, clearly pursuing egalitarian aims, and subject to strong inflationary pressures which it would imperatively

³⁹ See e.g. R. J. Flanagan, D. W. Soskice and L. Ulman, *Unionism, Economic Stabilisation, and Incomes Policies: European experience* (Brookings Institute, Washington, D.C., 1983).

need to subdue, might not resort to an incomes policy of the old style. But as part of the demand management in which it would be engaged, it would need some understanding with trade unions, and wage-earners in general, particularly those in strong bargaining positions, that they would agree to some restraint in their wage and other demands. To say this may well seem ridiculously unrealistic; but this is to ignore the fact that a socialist government would be seen to be striving for a just society; and it would also ensure that restraint applied with full force to the inflated salaries and other financial advantages which high executives and others in positions of power enjoyed. It would certainly seek to affirm the principle that, while men and women in the service of the state should be adequately paid, their salaries and other advantages should not be grossly out of line with the income of their fellow citizens. The immediate cry this would provoke is that it would drive away the best people from the service of the state and also produce a 'brain drain' of such people to countries where they would receive much higher salaries. In fact, the chances are that a large number of highly qualified people would wish to stay and help in the social construction that was under way; and in any case, people who could only be induced by inflated salaries to work in the service of the state or in public enterprise would not be the kind of people that were wanted. In reality, it is reasonable to expect that most people would, reluctantly or not, accept the new conditions, not least because these new conditions would hardly condemn them to penury.

7

In the perspective of what has been said in this chapter, what are the fundamental changes that would result from the achievement of a socialized economy? Before answering that question, a point that has repeatedly been made in other contexts needs to be reiterated, namely that in no way is the claim made here that the change would automatically usher in a new world, altogether free from the evils of the old one. Such 'triumphalism' would by now be entirely out of place. For a long time to come, old problems would endure, and new ones would arise. The point, however, is that there are two different ways of accepting that this would be so. One of them is to say that the problems are intractable, inherent in the human

condition, and therefore beyond real and effective solution. This is the traditional conservative view, and it treats as dangerously 'utopian' hopes of a radical improvement in the way life is experienced. Indeed, a corollary of this view is that attempts at radical reform, of the kind proposed here, are bound to make a bad situation infinitely worse.

The other position is that no problem is intractable and that the potential for radical change for the better is enormous; that the human race has hardly begun to tap this potential; and that, while the determination to tap it will not create a paradise on earth, it will create an immeasurably more favourable environment for the majority to fulfil the best that is in them.

The differences between a capitalist economy and a socialized one are clearly not purely 'economic': they are economic, social, political and moral, and affect the whole texture and mode of being of the social order.

The first difference is of course that the private ownership and control of the main economic resources of society would have ceased to be the dominant form of economic organization. As a result, a determinant source of unequal power and position in society would progressively dry up. This would mean a fundamental change in the social structure, with the eventual disappearance of the most important part of the capitalist class, namely the owners and controllers of the major and privately owned means of economic activity. This would bear some similarities to what happened in the twentieth century to the land-owning aristocracy in Western Europe: it did not actually disappear, but it lost most of the power which land-ownership had previously given it. The power it continued to enjoy derived from other sources, not least the entrenched position of aristocrats in the state service. The controllers of corporate power would also lose that power, even though many of them would no doubt find their way into strategic parts of socialized enterprise; but the power they would wield would not be based on their control of major private resources.

This invites the retort that this could well mean no more than the consolidation of a 'new class', a 'state bourgeoisie', made up of the people in high positions in the state and public enterprise; and, in the same vein of thought, it could be said that such people would be the beneficiaries of an all-encompassing 'statism', which would

give them a degree of power and privilege not much different from that enjoyed by people in power in capitalist democracies, or indeed even greater.

I have noted in an earlier chapter that this is a possibility which is not to be treated lightly. On the contrary, it would have to be taken with the utmost seriousness as a crucial point of tension between democratic aspirations on the one hand, and the tendency of people in power to seek its extension and to abuse it on the other. As was also said in previous chapters, the way to resolve that tension, and to attenuate the risks of overweening and arbitrary power, is first to build institutional barriers to it, and secondly to rely on the critical vigilance of a multitude of organs of opinion, and on the spirit of an alert citizenry imbued with a sense of what civic virtue demands of people in power.

The disappearance of corporate power over the main means of economic activity also means that the dynamic of that activity would have been radically changed. Its main purpose would no longer be the maximization of profit for the benefit of the owners and controllers of corporate power. The organizing principle of a socialized economy would be the satisfaction of individual and collective needs, with the priorities for the satisfaction of these needs having been democratically determined. Exploitation would have no place either in public enterprise or in the cooperative sector. It would endure in the remaining private sector, but would be strictly controlled. This relegation of exploitation to a subsidiary part of economic life would represent a fundamental transformation of the social order, and could be expected to have a tremendous impact on the ways in which people viewed the social order and how they responded to the demands which it made upon them.

Both the level of productive activity and its goals would be subject to democratic decision making, with the producers having a major (but not an exclusive) voice in the process. There would be plenty of room for informed debate on the issues involved; for instance, the length of the working day, the length of the working week, the requirements of rapidly changing patterns of work, the allocation of resources etc. For some general purposes, the debate would be conducted at national level – eventually for some purposes at international level. For other purposes, it would be conducted on a regional or local basis. But the crucial point is that it would not be conducted in the shadow of the imperative requirements of capitalism.

I have already referred to democracy at the workplace. Suffice it to repeat here that a socialized economy would make possible an entirely new set of 'relations of production', in which genuine, unforced cooperation would become the norm, with opportunities for the full development of individual capacities which are now thwarted.

The right to work was a right to which bourgeois governments were forced to subscribe during World War II because of the radical expectations that were then aroused, and because of the need to assure the population that the sacrifices they endured would have their due reward. Lip service continued to be paid to the right to work for some time thereafter – it was included in the preamble of the Constitution of the French Fourth Republic in 1946 and also in that of the Fifth Republic in 1958; but it has long ceased, in practice, to be a major aim of capitalist governments and is indeed now widely taken to be an unrealistic and undesirable goal. Unemployment on a large scale may be ritually deplored by people in power but is a permanent feature of economic and political life, and not a particularly unwelcome one, since it greatly helps to curb the militancy of wage-earners. Government complacency would be punctured if the unemployed made a real nuisance of themselves, and could be organized as a militant pressure group, but unemployment, with all its other soul-destroying features, helps to isolate people and to discourage collective action. Even in the thirties, the Hunger Marches in Britain involved a relatively small minority of the unemployed and only occurred because they were organized at the behest of the Communist Party.

A socialist government would give a very high priority to the achievement of full employment and would seek to turn the right to work into reality. In an age of ever greater advances in technology, with more and more sophisticated machines taking the place of human labour, this would need many measures to adapt to these advances – a shortening of the working week, a lowering of the age of retirement, the proliferation of services, the strengthening of state, municipal and voluntary agencies involved in the provision of caring services. A fundamental aspect of policy would be the provision of ample facilities for retraining and the renewal of skills. In this realm also, what is now generally done very inadequately would be treated as an essential part of the process of production. Even though a socialist society would be committed to full employment, it would

also wish to reduce the amount of time which men and women had to devote to 'earning a living', and thereby increase the amount of time they would be able to devote to 'living' and to engaging in whatever pursuits they found most fulfilling. This, in a socialist society, would not be subject to the kind of commercialization and exploitation of leisure which occurs in capitalist society. At local, regional and national level, a variety of public and cooperative agencies, supplemented by private ones, would compete in the provision of facilities and services; and this, save for private firms, would be done without the deforming distraction constituted by the striving for maximum profit.

An economy under effective socialist control would also be sharply alert to the social costs of the productive process, and would subject it to stringent ecological controls. Here too, what capitalism does grudgingly and inadequately would be done wholeheartedly in a context in which the requirements of capital would have ceased to weigh upon governments.

A further consequence of socialization is that the kind of frantic pushing of products which now goes under the name of advertising would cease. Under capitalism, vast armies of skilled, often talented, men and women devote their skills and talents to the production of a barrage of tendentious advertising on behalf of their clients, one of its features being the implicit or explicit praise for free enterprise and its blessings. Advertising would certainly not be abolished in a socialist society; but it would be greatly reduced and would lose its frantic and biased character. This would cut costs considerably and would also be of great benefit to cultures now saturated with low-grade commercial propaganda.

In short, a socialized economy, to reiterate a fundamental theme of this book, would free the whole of society from the 'fetters' imposed upon it by the rationality of capitalism, and substitute for it an altogether different rationality, attentive to human needs and seeking their satisfaction under the least onerous conditions possible. This liberation of society from the domination of capital is the essential condition for the creation of a social order in which a degree of cooperation and harmony unattainable under capitalism would become possible.

All the reforms which have been proposed in this chapter and the previous one clearly need detailed elaboration. But these proposals

also raise a set of different and crucial questions: what are the constituencies available, or potentially available, for the kinds of reform which socialist democracy demands? What are the agencies available for the purpose? And what are the strategies most likely to advance the process? Scarcely less important, there is, as noted earlier, the question of the opposition which a socialist government determined to carry out these reforms would inevitably encounter, and how it would cope with that opposition. It is with these questions that I am concerned in the next two chapters.