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## Democratic Socialist Planning

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### Abstract and Keywords

This chapter summarizes Marx's vision of a socialist/Communist society, sets out the defining characteristics of democracy and planning, and assesses the historical experience of the Soviet Union's model of centralized command planning, the Yugoslav model of self-managed market socialism, and the Latin American attempts at twenty-first century socialism. This is followed by an evaluation of the three principal contemporary theoretical models of a possible future socialist/Communist economy: market socialism; Parecon, a version of electronic socialism; and the author's own model of democratic planning through social ownership and negotiated coordination. The chapter ends with an exposition of the model of democratic planning, responses to criticisms, and a summarizing conclusion.

Keywords: Marx, socialism, democracy, economic planning, Communism

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This article summarizes the limited and fragmentary writings by Marx on his vision of a post-capitalist, socialist/Communist society, as the foundation for an analysis of the subsequent historical experience and theoretical work in relation to democratic (eco)socialist planning. It sets out the defining characteristics of democracy and planning in a socialist/Communist society, assesses the experience of the Soviet Union's model of centralized command planning, the Yugoslav model of self-managed market socialism, and the Latin American attempts at twenty-first-century socialism, with particular reference to Hugo Chavez's Venezuela. This is followed by an evaluation of the three principal contemporary models of a possible future socialist economy: market socialism, from Oskar Lange's contribution to the socialist (sometimes "economic") calculation debate to current market socialist models; Parecon, a currently popular web-based neoclassical, anarchist influenced, model; and finally the author's own model of democratic planning through social ownership, negotiated coordination, and the organic reintegration of human and non-human nature. The article ends with an exposition of the

model of democratic planning, responses to criticisms of the model, and a summarizing conclusion.

### 1. Marx

Marx wrote very little about how economic activity in a future socialist/communist society might be organized. He argued in his preface to *A Critique of Political Economy* that

... mankind ... sets itself only such tasks as it can solve; since ... the task itself arises only when the material conditions for its solution already exist or are at least in the process of formation.

(Marx [1859] 1977:390)

For most of his life he believed that capitalism could only be replaced when it had exhausted its full potential for developing the productive forces. He therefore contented himself with offering fragmentary insights into the essential characteristics of a post-capitalist future Communist society, which are to be found throughout his work. Perhaps the best-known statement of Marx's vision is that in the *Critique of the Gotha Programme*. In the lower stage of Communism, "as it emerges from capitalist society ... the individual producer receives back from society ... exactly what he gives to it," which is often summarized as the principle of, "from each according to ability, to each according to work" (or labor); whereas:

In a higher phase of communist society, after the enslaving subordination of the individual to the division of labor, and therefore also the antithesis between mental and physical labor, has vanished; after labor has become not only a means of life but life's prime want; after the productive forces have also increased with the all-round development of the individual, and all the springs of co-operative wealth flow more abundantly - only then can the narrow horizon of bourgeois right be crossed in its entirety and society inscribe on its banners: from each according to his ability, to each according to his needs!

(Marx [1875] 1977:568-569)

The first stage abolishes exploitation and unearned income but maintains "bourgeois right," the exchange of equals; the second stage abolishes bourgeois right and replaces it with human need.

This leads us to the second difference between capitalism and Communism, set out perhaps most clearly in Marx's *Capital*, Volume I ([1867] 1977:442), "production by freely associated men ... consciously regulated by them in accordance with a settled plan." Communism replaces capitalism's anarchy of production for profit (the invisible hand/market forces) by planned production for use by the associated producers. Planned production for use enables society's social objectives to be identified and realized in practice, coordinates interdependent decisions ex-ante, by contrast with the ex-post

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coordination of market forces, and makes it possible to reestablish the organic link between human activity and non-human nature.

In addition to these two principles relating to the organization of economic activity, “to each according to work” becoming “to each according to need,” and “production by freely associated men consciously regulated by them in accordance with a settled plan,” in Marx’s early work there are two other important concepts relevant to the organization of a Communist society. First, in the *Economic and Philosophical Manuscripts* ([1844] 1977) he discusses the dehumanizing effects of alienation, of people’s estrangement from their species being. In the capitalist mode of production people are separated from the product of their labor, from control over their working activity, from a conscious relationship with other human beings as part of a collective entity, and from non-human nature. Second, in *The German Ideology* he argues that in Communism this will be overcome by abolishing the hierarchical stratification of the social division of labor:

In communist society, where nobody has one exclusive sphere of activity but each can become accomplished in any branch he wishes, society regulates the general production and thus makes it possible for me to do one thing today and another tomorrow, to hunt in the morning, fish in the afternoon, rear cattle in the evening, criticize after dinner, just as I have a mind, without ever becoming hunter, fisherman, cowherd, or critic.

(Marx [1845] 1977:169)

I think these are the key pointers in Marx’s work about how economic activity in a socialist/Communist society could be organized. They are the starting point for subsequent developments that, as we shall see, differ significantly in the extent to which they succeed in retaining the essence of these insights.

## 2. Democracy and Planning

The problem when thinking about democratic planning is how to combine active participatory democracy with system-wide planning. Two strands have been identified in the literature: the associated producers as workers’ control within an enterprise and the associated producers as planning production for use in the economy as a whole. Historically, these two strands have been associated with market socialism on the one hand and central planning on the other. They are also relevant to discussion of the concept of ownership in a Communist society: worker cooperatives at one extreme, state-owned enterprises at the other. My own model resolves the tension between worker control in the enterprise and system-wide planning of the economy as a whole through the concept of social ownership, ownership by those affected by the use of the assets involved in a layered structure of decision making based on the principle of subsidiarity and a combination of direct democracy and indirect representative democracy.

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At the most abstract level, democratic planning involves an interaction between the institutions in which economic activity is undertaken; the polity that sets the objectives of society and the framework of values and principles in terms of which those objectives are to be realized; and a planning commission that translates the objectives into the structural and policy changes needed to further the objectives, and provides guidance to the economic institutions as to how they can contribute to the achievement of these objectives. The principle of subsidiarity is that decisions should be made and implemented at the most decentralized level that enables all the groups affected by a decision to be involved in making it. Since modern societies are complex this means that there has to be a layered structure of participatory democracy in both the political and economic spheres. At the most decentralized, smallest scale, level this may be possible through direct democracy, but as the scale increases indirect democracy inevitably comes into play.

For participation at all levels to be real, the abolition of the hierarchical stratification of the social division of labor that Marx envisaged, as set out in the previous section, is necessary. Although Lenin argued that every cook must learn to run the state, insofar as they achieve this they cease to be cooks. However, in the first stage of Communism people are still shaped by their formation under capitalism and have not yet overcome the dehumanizing effects of alienation. Bourgeois right still prevails. This suggests that there will be differences between models depending on whether they are addressing the lower stage of Communism, often referred to these days as socialism, or the higher stage of true Communism. As an example, Alec Nove, in his influential book *The Economics of Feasible Socialism* ([1983] 1991:13,8), advocates a system that is “conceivable within the lifespan of one generation” and in which “human acquisitiveness is a force which cannot be ignored” and there will still be governors and governed; whereas in the model shown in *Democracy and Economic Planning: The Political Economy of a Self-governing Society* ([1988] 2010), it assumes a society much closer to Marx’s higher stage of Communism.

## 3. Historical Experience

### 3.1 The Soviet Model

The Soviet model of administrative command planning developed in the 1930s was initially successful in industrializing the economy through its ability to mobilize resources for investment in a small number of priority heavy industries, with the rest of the economy treated as a residual. This was highly acclaimed at the time by many in the West, notwithstanding the enormous human cost it involved, for the rapid growth rates it achieved and its subsequent ability to sustain the Soviet war effort. However, as the postwar economy became increasingly more complex the system became increasingly less effective, with its claim to be overtaking the capitalist world giving way to a recognition that it was beginning to fall behind it. The administrative command system based on the material balance method was essentially a top-down imposition, leaving little scope for local initiative and virtually none for worker control. It to some extent

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enabled economy-wide planning; however, in the absence of participatory democratic involvement it evolved into a system characterized by perverse incentives and apathetic inertia.

The Soviet model emerged from the necessity to industrialize and modernize rapidly, faced with the perceived threat of renewed military intervention by the capitalist powers. Following the 1920s debate on industrialization, and in the absence of any practical guidance from the work of Marx and Engels, the Soviet Union embarked on a series of five-year plans underpinned, as it was then seen, by the necessary collectivization of agriculture to provide the surplus it depended on, a form of primitive accumulation comparable to that of early-19th-century England. The material balance system that was developed was an early attempt in practice to take account of the input-output interdependence of different sectors of the economy during economic development and modernization. The politically determined five-year objectives were conveyed to the Planning Commission, which then transformed them into sectoral requirements, which in turn were disaggregated into enterprise targets. In principle the enterprises then transmitted back up to the sectors and on to the Planning Commission what they thought they needed by way of resource inputs in order to achieve the given output targets. The Commission compared the requests for input resources with the initial target for each category of input resource and if, as was the norm, they did not coincide, revised the targets and the process was repeated, until through a series of iterations a rough equilibrium was achieved.

Although the formal material balance system was an interactive process between the economy-wide planning level and the individual enterprise level, given the overarching power of the party and the *nomenklatura* it was essentially a top-down administrative command system, although it involved a process of bargaining and information game playing between the different levels of the *nomenklatura*. The one thing it did not incorporate was any meaningful role for the workers in the enterprise or collective farm, the associated producers at that level. This meant that the revolutionary élan following the revolution and the patriotic fervor of World War II were gradually replaced by an alienated subalternism, reinforced by the absence of any meaningful political democracy.

### 3.2 The Yugoslav Model

The Yugoslav model of worker self-management, introduced after the break with the Soviet Union in 1948, initially offered more scope for worker control, but enterprise autonomy undermined the effectiveness of the structures designed to enable bottom-up planning, so there was little real economy-wide planning. Furthermore, as market competition was introduced, participation within enterprises became increasingly dominated by professional managers, and inequality between the constituent Republics increased as growth rates and living standards diverged.

Under the worker self-management system, enterprises were created by social bodies at different levels, from the local commune to the federal government, to be held in trust by

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their workers as social property. The workers elected a Workers' Council, which elected a management board and appointed a director. The Yugoslav experience covered three periods: 1950–1965, with greater enterprise autonomy and gradual decentralization of planning to the republics and regions, but with major investment still decided by the center; 1965–1975, market forces were introduced, with 80% of investment devolved to the enterprises and the economy opened to international competition by devaluation and the abolition of most import restrictions and export subsidies; and 1975 until the break-up of Yugoslavia in 1992, with bottom-up planning introduced, based on the newly created Basic Organizations of Associated Labor (BOALs), essentially units of production capable of producing output that could be sold, whether within an enterprise on the basis of transfer prices, or to different enterprises on the basis of market prices.

The BOALs were the most interesting experiment, and their ultimate failure has important lessons for thinking about a possible future socialist economy. Within an enterprise the BOALs negotiated with each other to produce a five-year enterprise plan that was shared with the plans of other enterprises in the same industry to produce an industry plan, with the industries then sharing their plans with one another. The results were then passed down the chain and the process was repeated until consistency had been achieved, at which point the agreed plans were incorporated in self-management agreements at the BOAL level and in an economy-wide five-year plan at the federal level. Simultaneously, social compacts were negotiated at different levels between government bodies, enterprises, and trade unions to cover productivity targets and income distribution. Transactions between enterprises were on a commercial basis, subject to fiscal and monetary policy and certain price controls.

Throughout the three periods of the Yugoslav experience, market competition intensified and the economy ceased to be planned in any meaningful sense. Worker participation, which at the beginning had been quite widespread (although more so at the top of the skill hierarchy than at the bottom) steadily decreased under the pressure of market forces, Workers' Council control over enterprise directors become increasingly formal rather than real, and income inequality increased, both within and between enterprises and between the federal republics. The Yugoslav experiment of seeking to create a self-governing society is an inspiration, but it remained an ideal rather than a reality. Bottom-up planning was at best a form of indicative planning that autonomous enterprises, competing against each other, largely ignored. The experiment failed for three reasons: the low level of economic and cultural development in 1948; the absence of political democracy; and the inability to find a way of combining enterprise-level planning with economy wide planning, perhaps because of the first two reasons.

### 3.3 Twenty-First-Century Socialism

Twenty-first century socialism was the term adopted by the Bolivarian Revolutions in Latin America at the turn of the century, variously covering Argentina, Bolivia, Brazil, Chile, Ecuador, Uruguay, and most notably Hugo Chavez's Venezuela. These were all largely underdeveloped premodern societies rather than the most developed capitalist

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countries which Marx, until toward the end of his life, considered were the only countries in which the conditions necessary for transcending capitalism had been created. Their governments had been democratically elected that placed severe limits on the extent to which they could bring their economies under social control, as they presided over severely divided societies and relied for their legitimacy on their prospects for reelection. In Venezuela, an oil-based economy, the state apparatus remained largely hostile to Chavez who, as a result, used the oil money to create a system of functionally based so-called missions, thus creating a form of dual power. However, the distinctive feature of Chavez's approach was the attempt to create a new "revolutionary subject" by promoting participation in enterprise workers' councils, community councils in neighborhoods, and in the various missions, thus providing education through the experience of running things. In practice, the extent of worker control remained extremely limited, and there was never an economy-wide plan to move the economy away from its dependence on oil.

The Venezuelan economy is made up of four sectors: informal (c. 50%); state (25%+); private (25%-); and social. Almost all heavy industry is state owned, while most manufactured consumer goods and most foodstuffs are produced in or imported by the private sector. The social economy, as it is called, accounts for a miniscule proportion of economic activity, almost all undertaken in small enterprises. However, the term is used in a much wider sense to include not only cooperatives and so-called recuperated enterprises—enterprises closed by their owners and taken over by their workers—but also workers' councils, communal councils, assemblies of communal councils, participatory budgeting, the different missions, and the so-called nuclei of endogenous development that emphasize sustainable development that is endogenous to the locality, region or country and shaped and planned by the relevant community. The social economy thus defined is seen as the driving force of the Venezuelan Bolivarian socialist revolution. Chavez's rallying cry was "popular power" and the purpose of all the initiatives constituting the social economy was to promote self-development, education, and empowerment through participation, not economic "efficiency" as normally understood. This was made possible only by the oil revenues, on which the entire revolutionary process depended.

At the time of writing Venezuela was in crisis. After Chavez's death in 2013, Nicolas Maduro was narrowly elected president. This was followed by sustained opposition protests that, together with the long-standing endemic patronage and corruption in the country, economic and political mistakes by the government, hyper-inflation and widespread prison riots, resulted in the socialist government's decisive defeat in the 2015 National Assembly elections. A "State of Economic Emergency" was declared, the president assumed legislative and executive power, and the National Assembly was bypassed by a newly elected Constituent Assembly. The collapse in the price of oil did not help and, as has already been noted, there had never been a strategic development plan for diversifying the economy away from dependence on oil. More generally, it was unclear in 2017–2018 whether the Bolivarian socialist revolutions in Latin America had a future, as one after another suffered electoral defeat.

### 3.4 Conclusion

The conclusion to be drawn from the historical experience is that so far, no society has emerged that combines control by the associated producers with economy-wide planning. While there are different country-specific characteristics in each case, what they have in common is that they were all relatively undeveloped countries whose productive forces were far behind those of the most developed capitalist countries. This includes not only the means of production but also the educational and cultural level and the experience of collective self-organization, of the laboring classes. It seems that revolution and state power are more readily achieved than the creation of a socialist social and economic system. Instead, what has happened is a combination of more or less successful top-down attempts to modernize and develop the economy, together with some material redistribution, but little if any development of Chavez's revolutionary subjects.

## 4. Contemporary Models

### 4.1 Market Socialism

Market socialism is the most common system currently advocated by people thinking about economic organization in future socialist or communist societies. Such models take many different forms, but they are all combinations of cooperative or state-owned enterprises with varying degrees of worker control competing against one another within an institutional framework designed to meld their individual activities into an economy-wide aggregate corresponding to democratically determined social objectives. The unresolved, in this authors view unresolvable, tension in these models is how to maintain an incentive structure based on the competitive performance of autonomous enterprises while at the same time limiting their autonomy in order to promote the society's social objectives. This is certainly the judgment reached by the hitherto leading advocates of market socialism in the "actually existing" socialist countries of Eastern Europe, based on their experience of seeking to reform the Soviet-style administrative command systems in Hungary and Poland, which is why they ended up arguing for a fully fledged "free market" economy (Brus and Laski 1989; Kornai 1990). However, there is also a living Western tradition of market socialism, carrying on from the model developed by Oskar Lange (1938) during the socialist calculation debate in the 1930s.

The premise of market socialism is that enterprises have to be autonomous and compete with one another in the pursuit of profit in order to bring about an efficient allocation of resources. This raises three questions. First, in market socialist models enterprises are either worker cooperatives or state owned, run by state-appointed managers, with rewards in both cases dependent on profitability performance. Although not private ownership in the capitalist sense, which generates unearned income, these are forms of sectional ownership by the cooperative's workers or the autonomous managers, and to some extent the workers, of state enterprises. Such enterprises do not explicitly take account of the interests of their input suppliers, their users, the communities in which



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they are located, and wider social considerations such as equal opportunities and environmental and ecological impacts. These are left to the external regulatory framework.

Secondly, there is the question of where planning fits in. Leaving aside the detailed “blueprint” central planning of every economic transaction the Soviet model aspired to, this raises the issue of where the locus of responsibility for interdependent investment decisions lies. If enterprises are to be fully autonomous, responsibility for investment must rest with them, based on their expectations of future profitability. Inevitably, as autonomous enterprises act independently of each other but the outcome of their investment decisions depends on the aggregate effect of all their decisions, the result will be what no one willed, Marx’s anarchy of production resulting from the operation of market forces. In order to deal with this systemic uncertainty and the investment cycles and instability it creates, the inequality it generates as some enterprises win and others lose, and also to prioritize democratically determined social values and structural change, models of market socialism seek to intervene in various ways. They incorporate a wide variety of measures to influence enterprise behavior, either directly, through centralized decisions over major investment and the allocation of finance for specified investments, or indirectly, through a regulatory framework and a system of taxes and subsidies. However, to the extent that enterprise autonomy is restricted and conscious system-wide planning is introduced, the underlying premise of market socialism, that competition is needed as an incentive for efficiency, is undermined.

Finally, market socialism takes an instrumentalist view of people, seeking to harness their self-interest through material incentives. This can at best be envisaged as necessary in Marx’s lower stage of Communism, but models of market socialism are not presented in that way. They are a lowering of sights, a reaction against the Soviet experience and the paternalistic side of the welfare state, often influenced by the work of Hayek and the modern Austrian school. They ignore the alienating effect of narrowly self-interested, atomized behavior and have no transformatory dimension. They do not intrinsically incorporate participation at the enterprise level and effectively abandon system-wide planning.

### 4.3 Parecon

*Parecon* is the title of an influential book by Michael Albert (2003) popularizing a model published by him and Robin Hahnel in 1991 (Albert and Hahnel 1991). It has an anarchist provenance and the economic content of the model is a version of Walrasian neoclassical general equilibrium. The model is an exercise in aggregating the preferences of workers’ councils and neighborhood councils to create offers to supply and demands to consume that are revised through an iterative process by an Iteration Facilitation Board until they are equal for every product. There is participatory decision making at the workplace and neighborhood levels but no economy-wide planning.

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The evolution of the Internet has given a new lease of life to the argument for an interactive, iterative form of blueprint planning, analogous to the material balance system developed in the context of Soviet central planning. Such models, referred to here as “electronic socialism,” seek to achieve *ex-ante* coordination of all interdependent decisions using flows of information up and down the Internet about what enterprises offer to produce, given the notional prices of inputs and outputs set by the center, and what users want to use based on the notional prices of outputs and (in the case of consumers) their entitlements. The theoretical and practical possibility of this process was the subject of the socialist (or economic) calculation debate in the 1920s and 1930s and then again in the 1980s and 1990s (see Adaman and Devine 1996).

The practical problems associated with the centralized collection and analysis of the relevant data, which figured largely in the interwar debate, have been effectively solved by the development of the Internet and advances in data processing. However, the epistemological issues raised in the 1980s by the modern Austrian school of economics, now based largely in the United States, remain. These issues turn on the distinction between explicit knowledge, knowledge “that,” which can be codified and transferred, and tacit knowledge, knowledge “how,” which cannot. Tacit knowledge is acquired by experience, by doing things. The classic example is learning to ride a bicycle: one can read or be told how to do it, but one only learns how to do it by trying, through experience. If much of the knowledge relevant to economic decision making is tacit, then it cannot be codified and transmitted to a center through the Internet; it can only be drawn upon by those who have acquired it through experience.

*Parecon* is an advance on most electronic models in that it emphasizes the importance of participation through its focus on workers’ participation in enterprises and consumers’ participation in neighborhoods. It also addresses the crucial importance of structuring work in ways that are transformatory, through the concept of “balanced job complexes,” combinations of activities that are equally desirable and undesirable, equally empowering and routine. However, the model suffers from two major weaknesses. First, it relies on an iterative process to achieve a Walrasian general equilibrium, which ignores both the Marxist and heterodox critiques of neoclassical general equilibrium, and the modern Austrian insistence on the centrality of tacit knowledge. Second, politics and political processes are entirely absent from the model, with people appearing as workers and consumers but never as citizens, and an explicit rejection of self-government and democratic planning by people as citizens, in favor of self-management by people only as workers and consumers. Not surprisingly, *Parecon* is short for “participatory economics”; it is not participatory planning, which inevitably involves political processes.

### 4.4 Participatory Democratic Planning

Participatory democratic planning based on social ownership and negotiated coordination through a process of deliberative participatory democracy is my own model (Devine [1988] 2010: chapter 7). It seeks to create institutions and processes through which the modern equivalent of the associated producers participates in a layered structure of

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decision making and execution defined by the principle of subsidiarity. It incorporates participation at the enterprise level, the economy-wide level, and levels in between. It involves participatory political democracy as well as economic democracy. It enables the “metabolic rift” (Foster 2000) between human activity and non-human nature in capitalism to be overcome and a conscious (as opposed to pre-capitalist) traditional, organic connection between society, economic activity and non-human nature to be created. Crucially, it deconstructs the concept of “the market” into market exchange and market forces. The model retains market exchange at the level of the enterprise making use of existing capacity but replaces market forces by a process of negotiated coordination at the industry and sector level when dealing with changes in capacity through investment or disinvestment. It has a transformatory dynamic for moving beyond bourgeois right to Communist well-being (need). In the next section, the model of democratic planning is set out in more detail, together with responses to the main criticisms that have been made of it.

## 5. Democratic Planning

The problem is how to combine “production by freely associated men” with conscious “regulat[ion] in accordance with a settled plan,” which involves political democracy for the determination of the values, principles, and social objectives informing the plan, and economic democracy in the sense of freely associated people being involved in the decisions about economic activity and their execution, where relevant, at all levels of the interdependent system.

### 5.1 Political Democracy

Democracy must be based on the freely associated people acting, on the one hand, collectively through the various organizations representing their different interests and concerns, as workers, consumers, households, neighbors, carers, participants in leisure activities, and members of cause groups—and, on the other hand, acting as citizens through the various levels of representative democracy, both as individuals and collectively through political parties. One can think of this as a generalization of the concept of freely associated producers organized in councils, the equivalent of “Soviets,” combined with real as opposed to formal representative democracy. In a society in which the class division between capitalist property owners and non-property-owning workers has been abolished, the privileged position in Marxist thought of people as workers, and the associated concept of the so-called dictatorship of the proletariat, are no longer applicable.

In the polity as well as in the economy, self-government must be based on the principle of subsidiarity, with decisions and their implementation undertaken at the most decentralized level consistent with all groups affected by them being involved, in proportion to the extent to which they are affected. This applies from the local community level through the city or rural district level, the national regional level, the national level,

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and the international regional level, up to the global level. Such a layered system of decision making and governance would enable an interdependent institutional structure to evolve that combines different levels of local control with different levels of system-wide planning. Together with the dual structure of democratic decision making involving group representation and representative citizens' assemblies it would enable the social interest at each level to be defined by those whose interest it is, rather than by an overarching state or by the simple aggregation of atomistic local decisions.

For participatory democracy to be real rather than formal, institutional structures and processes, while necessary, are in themselves not enough; the crucial requirement is for people to have developed the experience and skills needed to operate effectively within them. This brings us to Marx's vision of the abolition of the distinction between mental and manual labor. It has been argued elsewhere (Devine [1988] 2010) that a generalization of this vision involves the abolition of the *social* division of labor: the structuring of people into different social classes performing different types of work, from unskilled through skilled craft, professional, caring, artistic, to managing and directing. Although these categories overlap, and some people engage in more than one category, in general under capitalism most people spend most of their lives actively working in just one. It is important to note that abolition of the social division of labor does not involve abolition of a *functional* division of labor. Each social class covers several functionally distinct activities: for example, skilled craftspeople may be electricians, carpenters, plumbers, bricklayers, etc., but they typically do not engage in unskilled labor, medicine, or running an enterprise.

Since the material conditions of people's lives shapes their consciousness, if people spend their lives engaging in the type of activity associated with one social class their consciousness will inevitably be partial. Abolition of the social division of labor means that in the course of our lives we would do our share of each social category of labor (not, of course, every functional activity) and in so doing develop a more rounded experience and understanding of the world. In particular, by spending some of our time involved in managing or directing, we would learn how systems work and be more able to assess how local decisions and activities fit into the wider picture. This would no doubt be achieved in many different ways, such as fixed-term appointments, rotation, and engaging in different activities according to family circumstances and stage of life cycle. In this way we would achieve the equivalent over a lifetime of Marx's vision: "to hunt in the morning, fish in the afternoon, rear cattle in the evening, criticize after dinner ... without ever becoming hunter, fisherman, cowherd or critic."

Political democracy would enable the organic link between society, the economy, and non-human nature, ruptured by the development of capitalism, to be restored. Civil society would exercise control over the state directly (and over the economy both directly and indirectly through the state) and would allow civil society to consciously mediate its interaction with non-human nature, thus overcoming the metabolic rift. In this sense, as the context for the model of participatory democratic planning through social ownership and negotiated coordination outlined in the next subsection, fully developed political and

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economic democracy would go a long way toward abolishing alienation, from the product, the labor process, other people, and non-human nature.

Figure 1 sets out schematically a representation of a self-governing society in which the economy and non-human nature are organically embedded; Figure 2 a possible structure of social control.

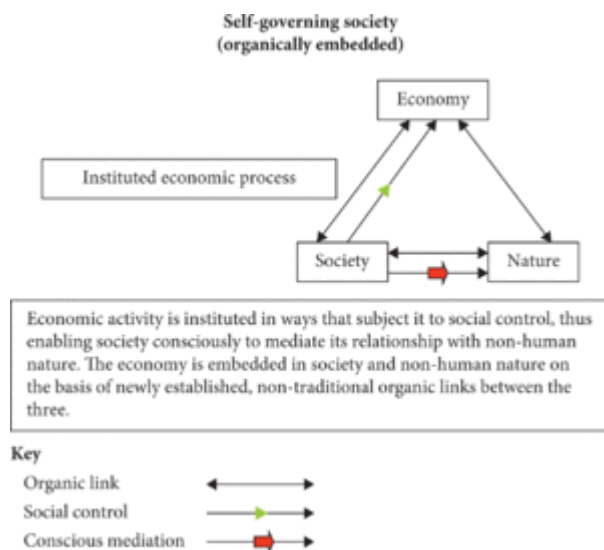


Figure 1. Organic embedding.

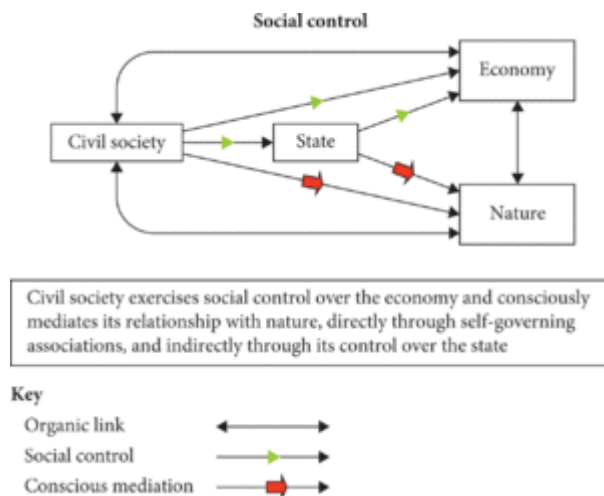


Figure 2. Social control.

## 5.2 Economic Planning

The difference between Communism and capitalism as economic systems is twofold: first, the replacement of capitalist class private ownership of the means of production by some form of common ownership, which abolishes exploitation; and, second, the replacement of market forces as the way of (re)allocating and coordinating society's productive resources by some form of planning, which abolishes the anarchy of production that results in an outcome no one willed. Marx and the Austrian school both recognized that

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capitalism is a dynamic system, constantly changing through Schumpeter's process of "creative destruction" (Schumpeter [1942] 1994), so that the neoclassical focus on equilibrium and Pareto optimal efficiency is a form of ideological obfuscation. The Austrian school accepted the social dislocation and human cost of creative destruction as a necessary consequence of progress and entrepreneurial freedom. Marx argued that progressive change could be managed and the human cost avoided by planning.

Changes in the structure of the economy of any significance involve major investment and the way in which interdependent investments are coordinated is what distinguishes the operation of market forces from the planned redeployment of productive capacity. In capitalism (and market socialism) private owners make their separate investment decisions on the basis of their expectations of future profitability. But whether those expectations are realized or not depends not only on what they do but also on what all their rivals are doing simultaneously, of which they are unaware. If in aggregate too much or too little productive capacity is created in relation to demand, realized profits will be higher or lower than expected, and capital will flow out of or into the given line of production. The interdependent investment decisions are coordinated after the resources have been committed, *ex post*, not in advance, *ex ante*, before resources are committed. Decision making in capitalism is subject to *systemic*, unavoidable, uncertainty.

Koopmans (1957) and Dobb (1955, 1960, 1970) long ago distinguished between primary (i.e., objective) and secondary (i.e., subjective) uncertainty. Primary uncertainty exists in relation to events that are not intrinsic to the socioeconomic system, or at least not directly so, such as earthquakes, extreme climate events, and wars. Although some such events may be traced to the unfolding of the capitalist system's dynamics, they are not a fundamental part of the system's daily *modus operandi*, the uncertainty stemming from the atomistic decision making intrinsic to capitalism, Koopmans's secondary uncertainty. Dobb insisted that the technical essence of economic planning is that it eliminates secondary uncertainty through the *ex ante* coordination of major interdependent investments.

This brings us to the crucial distinction between market exchange and market forces. Market exchange in capitalism involves the sale and purchase of the output of the existing productive capacity of enterprises. The operation of market forces is the way in which changes in productive capacity are brought about by investment and disinvestment as capital is moved from one line of production to another. In my model of participatory planning, market exchange remains but market forces are replaced by a process of negotiated coordination to arrive at a set of interdependent investments coordinated in advance of resources being committed. The model is based on the concept of social ownership, which is neither state ownership nor cooperative ownership.

Social ownership is ownership by those who are affected by decisions over the use of the assets involved: the stakeholders. Since those affected will differ according to the type of decision, it follows that the social owners will also differ. The social owners at the level of the enterprise are those affected by the use of the assets of the enterprise; the social

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owners at the level of the industry or sector will be those affected by the set of interdependent investments coordinated ex ante by them through negotiation, a wider group than the social owners of each enterprise; and similarly when it comes to changes in the structure of the economy of a region or a country, or indeed of the global economy.

At the level of the enterprise, those affected by its activities will include its workers, customers, consumers or other enterprises, or public bodies; its suppliers; the community in which it is located; the local planning council; and any campaigning civil society groups concerned with issues such as equal opportunities or environmental and ecological impact. These social owners then decide on the policy framework for the use of the enterprise's existing capacity through a deliberative process of negotiation, taking into account and balancing their differing interests and arriving at an outcome that all can live with. Within this framework the enterprise is self-managed by its workers. The enterprise engages in market exchange seeking to sell its output, and this generates knowledge about whether it is producing efficiently what its customers want.

Market exchange takes place on the basis of prices set by the enterprise equal to long-run cost of production, made up of the cost of intermediate inputs bought in from other enterprises and the cost of primary inputs. Primary inputs are labor, natural resources, and the use of part of society's stock of fixed assets, with wage rates, rentals on natural resource use, and a target rate of return on assets employed as their corresponding prices. These prices would be arrived at through negotiation at the societal level, reflecting the desired share of personal consumption in total economy-wide output and the importance attached to economizing in the use of different natural resources and society's stock of fixed assets. The enterprise's output prices would influence its customers purchasing decisions, thus determining whether the enterprise was obtaining enough revenue in relation to its costs, including the target rate of return. If it exceeded or fell short of its target rate of return this would be an indicator of how efficient the enterprise was and whether more or fewer resources should be devoted to producing its output (see Devine [1988] 2010, sections 8.3 and 10.2).

At the level of the industry or sector, major investment decisions would be made by an industry or sector Development Council made up of the social owners at that level. Those affected by the ex ante coordinated set of interdependent investments arrived at would include: the existing enterprises in the industry or sector; the communities in which they are located and other communities where new enterprises might be located; input supplying and output purchasing industries and public bodies; local and national planning councils; and industry- or sectoral-level campaigning groups. The social owners would arrive at the set of investments through a process of negotiation, taking into account information on the performance of the existing enterprises generated by their participation in market exchange, enterprise-specific reasons for disappointing performance, the social conditions in the communities in which they are located and in any new communities under consideration, estimates of planned developments in

supplying and purchasing industries, and planned changes at the level of the economy as a whole.

Central to the model of participatory democratic planning is the process of negotiated coordination. It is not a process of aggregating existing preferences or bargaining. It is a deliberative process through which the social owners learn about one another's interests and concerns and seek to arrive at an outcome which seems right, given the cooperative and solidaristic values of the society, and that reflects the collectively arrived-at social interest of those whose social interest it is. Taking place at each level within the layered structure of decision making based on the principle of subsidiarity it combines production by freely associated people with bottom-up system-wide planning. It focuses on the ex ante coordination of major investment decisions rather than seeking to engage in blueprint planning of everything. Participatory democratic planning through negotiated coordination is transformatory, encouraging cooperation and solidarity rather than reinforcing narrow self-interest as in market socialism. But it is not without its critics.

## 6. Criticism and Response

There are basically three categories of criticism of the model of participatory democratic planning through social ownership and negotiated coordination: the Austrian critique based on tacit knowledge; the critique attributed to Oscar Wilde that socialism would involve "too many meetings"; and the human nature critique based on ability or willingness to participate. The tacit knowledge critique (Hodgson 1998, 2005) relies on the fact that tacit knowledge cannot be articulated, codified, or transmitted. The Austrian school confines tacit knowledge to the individual, not surprisingly given their atomistic vision of society, and this is what underlies their focus on the individual entrepreneur, whose tacit knowledge is used to identify potential profitable opportunities and hire the resources needed to pursue them. Modern theories of the firm, however, have extended the concept of tacit knowledge to knowledge of how complex organizations work, which can only be acquired by actually working in the organization. Attempts to capture such social tacit knowledge schematically are sometimes made through what are called an organization's "standard operating procedures," but these provide only a framework which has to be continuously reinterpreted to deal with each new situation that arises, and this requires experience of working together with others in the organization. As is well known in the industrial relations literature, this is what enables industrial action in the form of a "work to rule" to be effective in many situations, when the willingness to interpret and adapt is withheld (Adaman and Devine 2001, 2002 and 2006).

This brings us to the second criticism, attributed to Oscar Wilde, that the problem with socialism is that it takes too many meetings. It has been argued that this criticism would apply a fortiori to the process of negotiated coordination. There are two responses to this. First, such criticism has been based on a misunderstanding, possibly sometimes a misrepresentation, of the model as incorporating negotiation over every single decision and action. However, as will be clear from the outline of the aforementioned model, at the



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level of the enterprise negotiation takes place among the social owners to arrive at the policy and accountability framework for the operation of the enterprise, with worker self-management for the day to day running of the enterprise, producing output from existing capacity which is then sold, a process of market exchange. Similarly, at the level of the industry or sector, the social owners negotiate a package of investment and disinvestment which is then implemented at the individual enterprise level. This is a process that is formally no different from that of multi-plant capitalist enterprises in which investment decisions and accountability are located in the headquarters and implementation is undertaken in the constituent branches. However, although formally similar, the essence is qualitatively different in that in our model the decision makers are the social owners at each level, not the representatives of the shareholders or the branch managers.

The second response is to suggest that there is no reason to suppose that the number of meetings in the model of negotiated coordination would be any greater than in capitalist economies, and it might be much smaller. The number of meetings necessary to decide on and organize production would probably be much the same in both systems, although differently composed. However, many meetings in capitalist enterprises are concerned with issues that would not arise in a system of democratic planning, meetings concerned with transactions costs arising from commercial rivalry and secrecy, contract enforcement, intellectual property, the management of social conflict, and the consequences of alienation and subalternity. It is also a mistake to regard time spent on running things as necessarily unproductive. With the abolition of unnecessary meetings dealing with the system-specific dysfunctional aspects of the capitalist mode of production, and the abolition of the social division of labor, in the course of a lifetime people would normally carry out their share of necessary meetings and in doing so widen their understanding and acquire knowledge of how the society in which they live works.

The final criticism, then, is that not all people might be capable of running things, and even if they were they might not want to participate. That this view is widespread is perhaps not surprising given that most people in capitalist society do not participate in public affairs, apart from periodic voting in liberal democracies—and frequently not even then. As Marx insisted, people are shaped by their subaltern and alienated position in capitalist society. A reluctance to participate arises when people have not had the opportunity to learn how to participate, and in any case the socioeconomic structure of capitalist society means that most people have little real influence over what happens to their lives, let alone their society. The desire to participate and the ability to participate are interdependent. Participation is a learning process, analogous to the feminist concept of empowering. It is not suggested that as people become self-activating autonomous beings they should be legally obliged to participate, but there would be a social expectation and moral obligation that in the course of their lives, not at every moment, they would participate in running things at some level. This is partly because participation contributes to personal development and a more rounded awareness and also because if some participate less, others have to participate more.

# 7. Conclusion

The three signposts for a future socialist/Communist society to be found in Marx are: (i) production by the freely associated producers; (ii) planned production for use; and (iii) overcoming alienation by abolishing the antithesis between mental and physical labor and the separation of humans from non-human nature. How do the three contemporary models, market socialism, electronic socialism, and democratic planning, fare in relation to these three signposts? Some versions of *market socialism* emphasize the first in the form of worker self-management or worker cooperatives, but others assume state-owned enterprises run by state appointed managers. None of them incorporate the second, system-wide planning, and all are subject to the anarchy of market forces, although some attempt to guide the economic system and contain the most adverse effects of market forces through regulation and monetary and fiscal policy. At best, market socialism might be thought appropriate for Marx's lower stage of Communism, but competition motivated by sectional interest on the basis of bourgeois right generates inequality, and historical evidence suggests that it contains a tendency toward hierarchy. Market socialist models do not overcome alienation and lack a transformatory dynamic towards the higher stage of Communism.

*Electronic socialism* is widely considered to be impractical. But even assuming modern information technology would enable it to deal with the problem of tacit knowledge, it would still not fare well in terms of Marx's three signposts. In some models people as workers are involved in drawing up the enterprise's production proposals for forwarding to the coordinating center, in Parecon the Iteration Facilitation Board, and likewise people as consumers are involved in deciding what they would like in the form of collective consumption, but there is no role for people as citizens to be involved in decisions concerning the values and priorities of the society. There is also no role for people to be involved in decisions over investment, the most important economic decisions in a changing society, no role for economy-wide planning. The associated producers are not involved in planned production for use and alienation is not overcome. It might be argued that electronic socialism would come into its own in the fully developed, higher stage, of Communism, if that is construed as a static unchanging society. However, although Marx's higher stage might today be called a sustainable "steady state" or "zero growth" society, this would in no way be a static, unchanging society.

The model of *democratic planning* through negotiated coordination by the social owners at each level of subsidiarity seeks to follow Marx's signposts in the light of subsequent historical and theoretical experience. People participate through political democracy in decisions over society's values, priorities, and the institutional framework through which socially contextualized individual autonomy and the rights of minorities are safeguarded, and through economic planning based on social ownership and negotiated coordination. Production for use is planned by the freely associated producers if "freely associated producers" is interpreted in a classless Communist society as meaning all members of the society. The situation in relation to overcoming alienation is less clear. People are not

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alienated from the work process or from other people. There is also no reason to suppose that people in general would be alienated from non-human nature. However, since the model of democratic planning, while replacing the operation of market forces by negotiated coordination, nevertheless retains market exchange, it could be argued that commodity production persists, and so people are still alienated from what they produce. Although there is some force in this argument, which indeed is what advocates of direct allocation via electronic socialism argue, those models all contain some form of labor contribution-based entitlement to output that for the most part they have not been involved in directly producing themselves. In a non-subsistence society based on a functional division of labor, it is inevitable that most production is not used by those directly involved in producing it and most of what people use is not produced directly by them. This is also true in my model of planning but as entitlement in my model is based on need, not contribution to production, the model goes a long way toward abolishing alienation from the product of one's labor as that labor is part of collective labor consciously contributing to planned collective production for need.

This brings us to a final *caveat*. It is highly likely that, in the higher stage of Communism, production for use will be far more localized than it is today, with much provisioning and caring work taking place in the household and the local community, based on craft work using modern technology, organic food and materials production, and shared caring. However, there will almost certainly always be what might be called the "formal" economy, which is what the historical experience and theoretical work on a socialist/Communist economy has been concerned with, including the model of democratic planning discussed here. The provisioning and caring insight has been emphasized and developed by feminist economists but has not yet penetrated conventional economic thinking, whether mainstream or heterodox. Much work remains to be done.

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