

An Introduction to ‘Socialist Optimism’

Paul Auerbach Socialist Optimism: An Alternative Political Economy for the Twenty-First Century Palgrave Macmillan 2016, 522pp.

Since the late nineteenth century, socialism has functioned as the radical alternative for those concerned with capitalist inequality and instability. Socialism was long identified with a muddled combination of two notions that, in principle, are quite distinct - it had a focus on human development, social and economic equality and security, and a deepening of democratic participation, but was also linked to a particular means of delivery of these goals, namely central planning. Centrally planned ‘socialism’ in eastern Europe and the Soviet Union had been a point of reference even for many socialists highly critical of the system there. With its demise in the period 1989-1991, little in the way of an alternative vision for organising society has been forthcoming. Socialism’s failure took place not only in practical terms but as an ideal, because it was tied to a defunct, obsolescent set of doctrines.

We see here some popular contemporary definitions of socialism:

Google (Wikipedia definition) Socialism is a social and economic system characterised by social ownership and democratic control of the means of production, as well as a political theory and movement that aims at the establishment of such a system.

Merriam-Webster Definition of socialism: a social system or theory in which the government owns and controls the means of production (as factories) and distribution of goods.

Let us pursue a curious aspect of these definitions. Socialism is characterised in Wikipedia by social ownership and democratic control of the means of production, and, even more directly in Merriam-Webster, by government ownership and control of the means of production and distribution of goods. There is no mention, in either of these primary definitions, of economic and social equality – what for many people would be the *sine qua non* of socialism, its end and intrinsic purpose.

And yet these definitions correctly encapsulate much of what socialism came to mean in the twentieth century. An explanation of how this came about, and its deleterious effects on the construction of a socialist alternative to capitalism, make up the substance of Part I of the book. What we see happening in the late nineteenth and early twentieth centuries is the reduction of a broad range of socialist and radical conceptions – Marxist, Proudonist, anarchist, and others - to an orthodoxy focused on centralisation and planning. The unifying force in the creation of this orthodoxy are the four principles of the Technocratic Planning Paradigm, principles that were shared with a range of non socialists, such as advocates of technocracy and even proto-fascists. These principles functioned both as a way of understanding events in the contemporaneous capitalist society, and as a structure for building an alternative to the existing ways of doing things on non utopian foundations. The influence of these principles was enormous – they played, first, a key role in the

construction of centrally planned socialism in the Soviet Union and other countries. Second, outside the so-called socialist bloc, these same principles structured not only the critiques of capitalism, but the alternatives offered up by a wide variety of groups on the left – both of a radical and moderate disposition. The key principles of the TPP were as follows:

The Principles of Technocratic Planning

1. The liberal vision of competition between enterprises as a mode of regulation for the economy was seen to be obsolescent. This first principle emerged from an empirical generalisation: there had been an inexorable growth in the efficient scale of enterprises and

2. Planning was taken to be the relevant mode of regulation for the economy as a whole, and was to be modelled on the internal workings of the giant firm.

3. There was an embrace of an engineering perspective that viewed activities such as administration, marketing and, especially finance as peripheral: all were waste, to be eliminated in a rational approach to the organisation of economic activity.

4. The above principles became associated with the notion of the developmental state – the state as a key actor in the process of economic development.

The inherent logic of the TPP was that the transition to the new, planned socialist regime would be an unproblematic one. From Engels in the 1890s we find a fairly general version of the transition to a planned socialism:

With the seizing of the means of production by society production of commodities is done away with, and, simultaneously, the mastery of the product over the producer. Anarchy in social production is replaced by systematic, definite organisation.

But by 1917 Lenin, far more starkly and explicitly, makes it clear that the regulation and coordination of the post-capitalist economy is not a problematic issue:

The whole of society will have become a single office and a single factory... The accounting and control necessary for this have been simplified by capitalism to the extreme and reduced to the extraordinarily simple operations - which any literate person can perform - of supervising and recording, knowledge of the four rules of arithmetic, and issuing appropriate receipts.

Thus, for Marx and even Engels, the concepts surrounding the replacement of ‘anarchy in social production’ with ‘systematic, definite organisation’ were still vague. By Lenin’s time, however, these difficulties had been swept away by the example of Henry Ford: operating the whole economy like ‘a single factory’ will permit central direction of the new system. And with Lenin’s enthusiasm for Frederick Taylor’s notions of scientific management, concepts of plan rationality and efficiency converged with strict control of workforce activity: with the embrace of the Plan, socialism in its Soviet manifestation found little room for workers’ control. Marxism, the most fully developed form of socialist critique of capitalism in the early twentieth century, became wholly identified with a centrally planned alternative based on the principles of the technocratic planning paradigm.

To this day, democratic socialists have found it difficult to extricate themselves from an identification with notions of centralised state control of the economy embodied in the technocratic planning paradigm, perhaps the most striking example being the Alternative Economic Strategy of the British Labour Party from 1973 – 1983, which advocated bringing at least two dozen leading companies to be brought under public ownership and planning agreements and price controls for the top 100 companies left in private ownership. In reaction, many professed progressives have absorbed neoliberal views of economic regulation and the role of the state in the absence of a viable socialist alternative.

We thus see in Part I a failed attempt to construct a non-utopian socialist alternative that builds upon, and is ‘with the grain’ of developments in the existent capitalist society. The inherent strategy, however, was an appropriate one. Its failure was linked to its mistaken analysis of trends in capitalist society: capitalism, far from moving in the direction of an ever-greater centralisation and monopolisation which socialism could then channel in a planned direction, was growing increasingly competitive and evidencing characteristics of dynamism that centrally planned regimes were unable match or emulate.

In Parts II and III of the book, the earlier methodology is replicated – a successful socialist strategy is likely to be highly cognizant of the trajectory of the existent capitalist society. Such a new strategy, like the older one, will attempt to channel the momentum of real, existing capitalism in a socialist direction. Part II of the book focuses on the fact that capitalism has increasingly

demanded a workforce with a diverse range of high level skills. Mainstream economics has recognised these concerns in literatures devoted to human capital, to education and economic growth, and in applied studies concerned with various forms of training - work-based and otherwise. But as Part II of the book emphasises, the profoundly subversive effects for economic theory of the socially-based nature of education and skills acquisition have never been adequately integrated into orthodox approaches.

Part III of the book outlines an alternative socialist strategy that uses the fact that contemporary capitalism has had an ever increasing need for labour of enhanced quality. The key aspects of the new strategy deal with human development, economic equality and household security, and democracy. The first aspect, focused on human development, emphasises the cultivation of an opportunity for self-realisation and enrichment of personal capacities for all individuals in society. The central mechanism for the realisation of this ambitious goal, and the leading disjuncture from traditional socialist and social democratic theory and practice, is an intense and sustained focus on upbringing and education from the earliest stages of life that is not contingent on, and compensates for, limitations in household circumstances: its practical implementation involves a substantial increase, and qualitative transformation, of the resources in the public sphere brought to bear on the upbringing of children, most especially in the first 13 years of life.

The construction of these new learning environments – these ‘palaces for children’, in the old socialist phrase, is not a fanciful enterprise. Among the present-day elite of society, education is

aggressively pursued, despite the advantages already accruing to the well-born prior to entry in pre-school programmes. It is thus no longer appropriate to focus on the educational deprivation of poor children as the sole negative outcome associated with inequality: in the last several decades a large gap has emerged between the academic achievement of children from median incomes and those from high income families. This gap in educational attainment between the middle and the top is linked to the effects of growing income inequality on the ability of rich households to act as good platforms for the educational attainment of their children. There seems, however, to be an additional component: an increasingly explicit focus, at the upper end of the income spectrum, on parental investment in children's cognitive development, with lavish human and physical resources devoted to the pre-school and school environment.

The emphasis here on resources devoted to early childhood development and to education underlines a public policy approach that is transformative, developmental and radical, and not merely alleviationist, as would be, for instance, policies devoted merely to lowering or eliminating the costs of higher education. And by comparison with this 'ground up' approach to the equalisation of opportunities for human development, even the most radical programmes for state direction of industry of a traditional socialist kind attack the hierarchies linked to class distinction in capitalism in a superficial way. In the end, arguments against the developmental strategy being pursued here rest on the notion that 'it is all a waste of time', a belief – unspoken or explicit - that present-day levels of achievement are a reasonable reflection of

the child's biologically hard-wired natural endowment, as measured, for instance, by IQ.

Many progressives are, quite correctly, wary of contemporary tendencies to use education as a panacea. Indeed, any rise in the present derisory level of the minimum wage in the US is routinely criticised as defying the judgment of the market - the 'correct' approach, it is suggested, is to raise the skills of the workforce. Education thus functions ideologically in much current rhetoric as a substitute for doing anything about inequality.

But an alternative, socialist logic is available on the relationship between education and inequality and motivates the second aspect of the socialist strategy presented here. In this context, education is not seen as substitute for dealing with inequality; on the contrary, there are good reasons to believe that economic equality and educational enhancement function in a complementary fashion, with deprivation of households at the lower end of the income spectrum functioning as an inhibition to the acquisition of formal education for both children and young adults. Household deprivation also constrains learning of a non formal, *in situ* form – learning that is likely to take place in the general environment, or at work. All of these considerations must be seen in light of a fundamental distortion in our national income statistics: the lower we go on the income spectrum, the more likely that what we call 'consumption' is a form of household investment – what Marx would have called the reproduction of labour power.

The examination of households from a human assets perspective has deeply subversive implications for economic theory and policy. It is a standard cliché of free market economics

that capitalists need a secure environment if they are to proceed with plans for long term growth and investment. But by the same logic, once households are viewed as the fulcrums through which investment in human assets is to take place, an environment of household security can facilitate planning and investment in these human assets. The cost of mass unemployment and economic downturns thus cannot merely be calculated as GDP foregone, but must include – as do narratives from novelists and journalists – the derangement of life plans incumbent upon economic disruption. In a more positive sense, measures to engender household security, from publicly-funded health care to unemployment insurance, permit households to plan and organise their futures, including strategies for enhancing their capabilities. These measures, usually associated solely with social welfare, can thus also play a positive role in economic development. And the super-exploitation of labour – be it the 70 hour work week in the US steel industry at the beginning of the twentieth century or in poor countries today – cannot be merely interpreted as an aspect of a high investment, high growth strategy with unfortunate humanitarian consequences. Without proper calculation of the effects of this super-exploitation in terms of the incumbent depreciation in the stock of human assets, a correct calculation of its net *economic* effects cannot be made.

It is these considerations that motivate the second aspect of the socialist programme presented here, the focus on equality and security. Public policies promoting equality involve, first, the public provision of a range of goods commonly characterised as necessities, such as health care, transport, housing, food and

basic amenities, with transport and housing of special importance with regard to a range of environmental issues dealing with the planning of the urban and living environment. Public policies that promote equality through provision of these goods and services are of particular interest here in the developmental role they play – as complements to formal education and in the enriching of *in situ* learning in the world, so that household members can flourish and develop their capacities. The complementary aspects of this developmental strategy deal with the mitigation of deprivation and insecurity in the household, permitting it to function as a stable environment in which children’s formal education can take place and also act as a vehicle for *in situ* learning in the world. The setting of a standard of full employment is essential for the mitigation of this insecurity.

These policy goals – full employment and the mitigation of household deprivation and insecurity - might seem to set up a conflict between the first aspect of the socialist strategy focusing on formal education and the second, emphasising equality and security, and how we live in the real world. But in substance, there is no such tension. The capacity for children to flourish in school is crucially contingent on the living and working environment in which households exist. A successful school programme can help to diminish the gaps in opportunities for personal development for children from diverse class backgrounds, but school systems functioning in more equal societies find that task greatly alleviated. Furthermore, for all individuals in the household, work and the broader environment are arenas for learning throughout their lives: public policies that promote *in situ* learning and opportunities for

employment are crucial in themselves and complementary to programmes of formal schooling.

The implementation of public policies promoting equality and security are focused around a 'jobs worth doing' programme - activities created or financed by the government to underwrite policies of full employment, offering to individuals a range of opportunities commensurate with the development of their skills. Full employment under socialism is a fundamental aspect of its functioning, and not a mere conjuncture of favourable factors that occasionally emerges in the economy. Governmental provision of employment also promotes equality by acting as a standard for the compression of the egregious expansion of differentials in remuneration evidenced in recent decades. An important additional development for the promotion of equality would be a reassertion of collective bargaining and the implementation of worker representation and real decision making power within enterprises, as well as explicit workers' control where deemed appropriate.

The third aspect of the social programme presented here is connected with the exercise of democratic control in the broader society. The discussions in Part I make clear why central planning is to be rejected as a mechanism for achieving full employment; a key consequence of such a rejection is that careful consideration must be given to the role of finance in economic allocation, a particularly troublesome question once the financial sector's role in the exacerbation of economic instability is acknowledged. A reconfiguration of the financial system, however, cannot merely be informed by a negative approach - the need to prevent the next

financial crisis - but by a positive reconstruction to permit democratic control and the execution of policies serving the priorities of the socialist programme.

Progressive taxation plays a central role in moving the distribution of income and wealth in contemporary societies in an egalitarian direction. Central aspects of such a policy approach include the implementation of genuinely progressive and transparent taxation regimes and the cultivation of openness in the conduct of business, financial and political affairs – a liquidation, for instance, of tax havens and the secrecy surrounding them. In the opposite direction, present-day gross inequalities in income and wealth are contributing to the degeneration of democratic processes into a farcical game in which decision making by a broad public plays at most a peripheral role: actions to reduce these inequalities are a necessary aspect of a programme for the promotion of a democratic polity.

The implementation of such economic reforms is likely to be highly contingent on the ability of the public to exercise democratic control on a regular basis. Democracy in the context of the broader society necessarily entails a genuine voice for the mass of the population in politics, taking place in an environment embodying freedom of speech and conscience; an essential complement to this freedom is transparency in the operation of political and economic affairs. Democracy in the public sphere is enriched and complemented when the mass of the population also has a voice in the workplace and in daily life, with genuine opportunities to exercise control and decision-making on a regular basis. This latter

constituent of democracy demands that we address questions surrounding relations of power in these localised contexts.

These aspects – education and the development of personal capacities, on the one hand, and the exercise of democratic control, on the other - are intertwined. Thus, for instance, formal education can play a role in the promotion of the capabilities necessary for individuals to exercise democratic control, encouraging the formation of attitudes, expectations and habits conducive to future democratic participation in the working and living environment and in the context of society in general. Of no less importance are public policies that impinge directly on the workplace to promote democratic participation, as well as measures to engender democracy in the broader social and political context.

To summarise, Part I of the book suggests that the central planning version of socialism failed because of its misperceptions of the trajectory of capitalism. Part III presents a socialist alternative linked to human development, equality and household security and democracy. The optimistic prospects for this programme are explored in Part II, where human development, equality, household security and democracy – the very ends for which socialists are striving – are in fact shown to be consistent with realistic strategies for economic development in contemporary capitalist society. From a socialist perspective, however, there is a deeper sense in which optimism pervades the argument made in this book: there is a vast creative potential in human beings waiting to be emancipated by progressive policies.