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Conceptualizing the future: Marx's value theory and the debate on markets and planning

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ABSTRACT

Marx posits a vision of socialism in which mass-produced items are priced via computation of embodied labour-time with remuneration such that one hour of actual labour is exchanged for items produced in one hour. But implementing Marx's scheme today would incentivize increased individual labour time and drive a tendency to ecologically harmful "growth." As pushing beyond capitalism remains indispensable, we must assess newer models of socialist planning and distribution providing alternatives to capitalism and market socialism.

KEYWORDS

Abstract labour; communism; markets; planning; value

Introduction

There is nothing like a global crisis of capitalism to bring forth Karl Marx from the grave once again. Whisked off to the dustbin of history after the collapse of the Soviet Union, soon after the beginning of what Paul Krugman dubbed "the Lesser Depression," even mainstream procapitalist commentators began to look to Marx for an explanation of the failures of global neoliberal capitalism. The critique of political economy has returned, and those who practise it have gained notice even in the publications of the high priests of capitalism, exemplified by praise — however tempered — for David Harvey's *The Enigma of Capital and the Crises of Capitalism* in *The Financial Times*, and Robert Brenner's *The Economics of Global Turbulence* in *The Wall Street Journal*.

The reappearance of Marx as the analyst of the laws of motion of the capitalist mode of production marks something of a turning point in so-called Western Marxism because, for a number of decades, many prominent Marxists were concerned with examining mainly philosophy, ethics, culture, and, at least initially, class consciousness.[1] The real beginning of an American and British Marxist preoccupation with contemporary globalized capitalism began in the 1990s in journals such as *Socialist Register*, *Monthly Review*, and *Historical Materialism*; moreover, even supporters of capitalist globalization dubbed Marx "the prophet of globalization," referring to his emphasis on the innate drive of capital for both self-expansion and

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technological advance and its exacerbation of inequalities of wealth and income.[2] The most common reference was to *The Communist Manifesto*, with its description that "modern industry has established the world market" and "[the] need of a constantly expanding market for its products chases the bourgeoisie over the whole surface of the globe. It must nestle everywhere, settle everywhere, and establish connections everywhere."[3]

More recently, however, Marxists' primary scholastic preoccupation has been with explaining the causes of the economic crisis that began in the American home mortgage market in 2006. A common view among Marxist political economists is that this had no connection with what Marx understood in *Capital Vol. III* to be the primary cause of capitalist crisis — the tendency of the rate of profit to fall as capital investment grows more quickly than labour — the only source of value for the capitalist system as a whole. Leo Panitch and Sam Gindin are clear that each of the four major historical global crises — the Long Depression in the 1870s onward the Great Depression of the 1930s, the Great Recession of 1970s, and the Great Financial Crisis of 2007–2009 — had a different cause. Where the most recent crisis is concerned, it:

> Was not caused by a … collapse in investment due to overaccumulation. In the US in particular, profits and investment have recovered since the early 1980s … Indeed investment was growing significantly in the two years before the onset of the crisis, profits were at a peak and capacity utilisation in industry had just moved above the historic average … it was only after the financial meltdown in 2007–8 that profits and investment declined.[4]

The more recent Great Recession resulted from wage stagnation, rising mortgage debt, and then the collapse in housing prices, leading to "a dramatic fall in consumer spending."[5]

"Monocausal" Marxists argue otherwise. Even before Michael Roberts provided evidence that "US corporate profits were falling some two years before the recession began and investment dropped as a result before GDP contracted,"[6] writers such as Anwar Shaikh and Fred Moseley had demonstrated that the crisis "is an absolutely normal phase of a long-standing recurrent pattern of capitalist accumulation in which long booms eventually give way to long downturns."[7] As Moseley explains, as in periods of depression of the past, the decline in the rate of profit reduced the rate of capital accumulation, which, in turn, resulted in slower growth and higher unemployment rates. A number of governments in the 1970s attempted to reduce high unemployment by adopting expansionary Keynesian policies (more government spending, lower taxes, and lower interest rates). But such policies resulted "in higher rates of inflation, as capitalist firms responded to the government stimulation of demand by raising their prices at a faster rate in order to restore the rate of profit, rather than by increasing output and employment." In the 1980s, financial capitalists rebelled against these higher rates of inflation and commonly forced governments to adopt restrictive policies (less spending and higher interest rates), and the result "was less inflation but also higher unemployment. Therefore, government policies have affected the particular combination of unemployment and inflation at a particular

time, but the fundamental cause of both of these 'twin evils' has been the decline in the rate of profit."[8]

Furthermore, as Guglielmo Carchedi notes, if "there is no single explanation valid for all crises, except that they are all a 'property' of capitalism and that crises manifest in different forms in different periods and contexts," then we are left with a pressing problem:

> [I]f this elusive and mysterious property becomes manifest as different causes of different crises, while itself remaining unknowable, if we do not know where all these different causes come from, then we have no crisis theory. […] [G]iven that crises are a constant and recurrent feature of capitalism, if they are due in the last instance to the mistakes of the financial and monetary authorities as well as of the politicians, of governments, etc., why do they recur? In other words, why don't policymakers learn from their mistakes? Obviously, there must be structural, economic reasons that not only prevent them from learning from their past mistakes but that actually force them to repeat those mistakes recurrently. In fact, the origin of the financial and speculative crises should be sought in the real economy, in the production of value and surplus value, rather than, as is fashionable nowadays, turning the relation of cause and effect upside-down.[9]

As the profitability of capital remains "too low" and the debt built up before the Lesser Depression "too high," it is entirely likely that a "full recovery" — a restoration of capital's profitability — will require an even more brutal depression, with all the accompanying misery that this implies, not to mention that capital already "in its rapacious drive for more value has so seriously damaged the planet that we face an environmental and ecological crisis over the next generation that will increase already growing inequalities and pose major struggles over land, water and resources."[10] It follows that Marx's understanding of capitalism as an inherently crisis-prone, class-exploitative mode of production, incapable of meeting the needs of most of the world's population consistently, presents the most serious case for the need to push beyond capitalism into socialism, as opposed to presenting socialism as an ethical or regulative ideal or the best possible (but not necessary) option for humanity.

Socialist difficulties: from abstract labour to resource constraints

That said, it does not simply follow that everything that Marx inferred or supposed about the mechanisms of a socialist economy remains valid for the twenty-first century.[11] Indeed, certain aspects were quickly abandoned or ignored by some prominent early Marxists. Marx himself was clear in both *Capital* and *Critique of the Gotha Programme* that, in socialist society, there are no longer any monetary prices, and hence no money, because value — socially-necessary labour time — no longer exists. If mass-produced items are priced, then following Marx's logic there is value, which requires workers to be worked at similar rates. Abstract labour — the homogenization of labour-power — is mandatory because money itself is the expression of abstract labour. The "social fact" that workers produce all value is converted into the "market fact" that money buys all commodities.[12] Although Marx's theory of value is fundamentally a theory of fetishized social relations and not a theory of day-to-day fluctuations in prices, there is little doubt that the computation of wealth

in monetary terms is seen by Marx as pertaining particularly to capitalism and as incompatible with a classless society. The retention of value-production, even in this narrow sense, would render society unable to overcome capitalism's "inversion of subject and predicate, in which the products, as well as the actions of people, take on the form of an autonomous power that determines and constrains the will of the subjects that engender them."[13]

Marx expected the alternative to the use of money in the initial stage of socialism (communism) to be computation of the labour-time embodied in each product, with remuneration via labour-tokens such that one hour of actual labour will be exchanged for products produced in the same amount of time, though "the output of *energy* in a given unit of time" may also be taken into account.[14] Such tokens are cancelled once used; they cannot be hoarded nor used to purchase means of production or to bribe public officials. It should be clear that Marx's operative principle for this initial stage of the classless society is not "from each according to their ability, to each according to their work," which was the administrative formula used by the elites of official Communist societies; it is also quite different from remuneration based on the amount of productive output within a given unit of time, which is what prevails (for workers) under capitalism. In Marx's words, "With collective production … society distributes labour-power and means of production between the various branches of industry. There is no reason why the producers should not receive paper tokens permitting them to withdraw an amount corresponding to their labour time from the social consumption stocks. But these tokens are not money; they do not circulate."[15]

Yet the most prominent Marxists of the late nineteenth and early twentieth centuries did not follow Marx's suggestion that first-stage communism would use noncirculating tokens representing a producer's claim to a specific portion of the common product set aside for consumption. Karl Kautsky claimed it was:

> Entirely utopian to imagine that a special system of distribution is to be manufactured, and that it will stand for all time. In this matter, as little as any other, is socialist society likely to move by leaps and bounds or start all over anew; it will go on from the point at which capitalist society ceases. The distribution of goods in a socialist society might possibly continue for some time under forms that are essentially developments of the existing system of wage-payment. At any rate, this is the point from which it is bound to start.[16]

Leon Trotsky was similarly clear:

> In a communist society, the state and money will disappear. Their gradual dying away ought consequently to begin under socialism. We shall be able to speak of the actual triumph of socialism only at that historical moment when the state turns into a semi-state, and money begins to lose its magic power. […] Such characteristically anarchist demands as the 'abolition' of money, 'abolition' of wages … possess interest merely as models of mechanical thinking. Money cannot be arbitrarily 'abolished,' nor the state and the old family 'liquidated.' They have to exhaust their historic mission, evaporate, and fall away. […] Having lost its ability to bring happiness or trample men in the dust, money will turn into mere bookkeeping receipts for the convenience of statisticians and for planning purposes. In the still more distant future, probably these receipts will not be needed.[17]

For both Kautsky and Trotsky, it is not entirely clear whether "socialism" is used to mean "the first stage of communist society" or as a synonym for the dictatorship of the proletariat, the period between capitalist and communist society. Nevertheless, both Marxists say nothing of Marx's ideas regarding labour-tokens. Trotsky's words, in particular, continued to guide most of the Marxist Left as late as the 1980s, when Chris Harman wrote that the "motive force" of "early" socialism:

> Is no longer the self-expansion of capital, but rather the consciously expressed desires of the mass of the population — even though the old pricing system continues to be used as a basis for working out how to rationally realize these desires. In the earliest stage of socialism, it is a tool available for estimating, however roughly, the amount of socially-necessary labour required to satisfy different sorts of human need. It is a tool which has to be used.[18]

Today there are even avowed market-socialists who still claim to be Marxists, such as David Schweickart, who argue that money and markets are necessarily part of any complex economy because any attempt at comprehensive democratic planning — however different it might be from Stalinist "command planning" — is inherently "unworkable." Decisions about what and how to produce can be rendered "efficient" only via market pricing, with its sensitivity to supply and demand, and only market competition can provide incentives to motivate worker-managed enterprises to be efficient and innovative.[19] Such socialists have a superficial understanding of Marx. Richard Westra explains why:

> [T]he intellectual force of Marx's work in *Capital* resides in its exposition of the fact that capitalism is not simply a class-distributive society (a point already made by Marx's contemporaries) but an 'upside-down' society in which human social relations of material reproduction are converted into abstract, quantitative 'relations among things.' The 'efficiency' of the *society-wide* capitalist market Schweickart seeks to harness for socialism derives precisely from this fundamental *modus operandi* of capitalism which Marx argued stamps capitalism as an 'alien'; mode of organizing human economic affairs … placing social decision making on the what and how of production in the hands of *society-wide* integrated systems of self-regulating markets, with their abstract quantitative determinations, results in human material life being reproduced essentially as a by-product of value augmentation or profit-making.[20]

Market-abolitionist Marxists, such as Adam Buick and Pieter Lawrence, lie at the opposite end of the spectrum. Their analysis of capitalism is taken directly from *Capital,* but they claim that the further development of technology since Marx's day has made his advocacy of labour-time accounting outdated. Global socialist revolution could make marketless, moneyless society an immediate reality through calculation-in-kind:

> [Socialism] would operate in direct response to need. These would arise in local communities expressed as required quantities such as grammes, kilos, tonnes, litres, metres, cubic metres etc., of various materials and quantities of goods. These would then be communicated as required elements of productive activity, as a technical sequence, to different scales of social production, according to necessity.
>
> Each particular part of production would be responding to the material requirements communicated to it through the connected ideas of social production. It would be self-regulating because each element of production would be self-adjusting to the

> communication of these material requirements. Each part of production would know its position. If requirements are low in relation to a build-up of stock, then this would be an automatic indication to a production unit that its production should be reduced. If requirements are high in relation to stock then this would be an automatic indication that its production should be increased …
>
> This system of self-regulating production for use is achieved through communications. […] These include not only transport such as roads, railways, shipping, etc. … [but also] the existing system of electronic communications which provide for instant world-wide contact as well as facilities for storing and processing millions of pieces of information. Modern information technology could be used by Socialism to integrate any required combination of different parts of its world structure of production.[21]

There are good reasons to doubt that such a "full communist" world could be quickly actualized even under the most optimal conditions. One reason is primarily political: as classes continue to exist after the dismantling of the capitalist state, and until all petty proprietors (traditional small capitalists as well as intellectual property owners) are absorbed into the working class, at least a partial retention of money and markets will be unavoidable for many years. There is simply no way to speed up a gradual absorption occurring as the skills that the "middle class" monopolizes become devalorized when all workers acquire them.

The second reason is technical. The Buick/Lawrence presentation of full communism resembles, on an immense scale, something like what publishing-on-demand does in microcosm. Let us assume that, at a minimum, there are more than 20 million separate commodity categories under capitalism, book publishing being only one. One fails to see how, even with sophisticated computers that can invert immense matrices in minutes, it is possible to build in enough reliable and accurate information and flexibility to produce a comprehensive plan that can fuse demand and production data to the point at which the system can respond in ways that resemble publishing-on-demand. Moreover, it must do so in anticipation of future needs as well. Marx and Engels conceived of second-stage communist distribution essentially as an immense warehouse, where production is needed only to restore inventories or enlarge them as population growth demands. This is possible only under conditions in which scarcity has been eliminated, sources of energy are freely renewable, and waste is reharvested for production. The production here is fundamentally self-sustaining, on a fully automated basis. There are no longer any long-run social or ecological issues that must be addressed.

Buick and Lawrence are wrong: we do not yet have the techniques needed for full-communist society. (A federation of workers' democracies could, of course, quickly decommodify immense swaths of the economy: education, mass transportation, health care, social services, infrastructure, and pensions. These could be made readily accessible to all without any cost at the point of consumption.) But we cannot simply wait until capitalism provides the working class with the prerequisites for full-communist production and planning. Capitalism has no incentive to develop this level of system-wide planning sophistication and foresight, and it can never free itself from its reliance on labour power. Additionally, if global warming is to be halted, an enforced scarcity of the use of fossil fuels is an absolute necessity; this appears impossible under capitalism. As Panayotakis insists, it seems unavoidable that, in the

foreseeable future, even the foreseeable socialist future, "while the refinement of human needs and desires will reshape the demand side of a post-capitalist society's configurations of scarcity, the satisfaction of these refined needs and desires will be constrained by a dimension of these configurations on the supply side, namely ecological limits."[22] The picture painted by Buick and Lawrence does not take such concerns into account; no concept of resource constraints enters their analysis. Such constraints will remain even if there is "ecosocialist planning."[23]

Given these realities, where simple rationing (as in health care, where needs can be determined objectively) is not sensible, the need for an independent measure of consumers' valuations and a price, of some sort, that roughly balances planned supply and consumer demand, should be clear.

Labour tokens and planning

For the past 25 years, W. Paul Cockshott and Allin Cottrell have been the most prominent proponents of Marx's distribution scheme from *Critique of the Gotha Programme*.[24] Using modern computer technology — which they also use to prove the possibility of calculating national production plans centrally — they develop:

> A decentralized algorithm for calculating and revising the (direct and indirect) labour content of each product. They advocate a quasi-market in which the difference between the calculated labour content of each product and the labour tokens people are prepared to exchange for the product provides the central planners with information on the basis of which to adjust the production instructions that they issue to producers.[25]

A series of ad hoc limitations supplements the "market" in consumer goods, which is restricted to "food, drink, entertainment, books, clothing, holiday travel and so forth — goods where 'externalities' are absent or unimportant." It is also subject to controls for market failures, as in transport; "citizenship rights" (education, childcare, and healthcare); free distribution of goods, such as water, where the metering and charging costs exceed the income produced; and to some degree of food-supply planning on the basis of public health and nutritional considerations.[26]

Ultimately, however, transferring Marx's proposal from 1875 into the twenty-first century ends up appearing disjointed and inconsistent. The most palpable objection is that workers cannot claim as personal consumption their full contribution to output, as long as a portion of that output needs to be accumulated as additional means of production. It would make sense only, if at all, in a form of relatively abundant full communism in which, as stated previously, production is largely automated — the labour expended being that of superintendence — or, again, simply grows (if at all) in tandem with the growth of population. In addition, such an abundant society would not need labour-tokens in the first place for mass-produced goods.

Secondly, it is not obvious how labour-tokens, in practice, would be different from money because labour expended, as Cockshott and Cottrell acknowledge, is not yet completely directly social insofar as no plan can (yet) be perfect. Therefore, because labour expended may not equal the labour commanded by any product, "price" will differ from "labour value." If people wish to defer consumption, save for a vacation or supplement their retirement, labour-tokens will have to be a store of wealth. But if

labour-tokens combine the functions of a means of payment, a standard of price, and a store of wealth, they are, effectively, money. What function Cockshott and Cottrell would strip labour-tokens of to make them something other than money as Marx understood it is left unclear.

Furthermore, however appropriate it might have been in 1875, Marx's labour-token distribution scheme — adopted by Cockshott and Cottrell — "incentivises increased individual labour time (problematic, given endemic unemployment, and antithetical to the interest in human self-development) and precisely because it in this sense mimics the capitalist work incentive [it would] drive a tendency to [ecologically-harmful] 'growth.'"[27] Cockshott and Cottrell's conception of planning insufficiently addresses the difficulty of codifying and transmitting tacit knowledge, that is, knowledge acquired through action and experience, which cannot be easily centralized regardless of how powerful the computers are or how sophisticated the information technology is.[28] Cockshott and Cottrell also do not discuss the persistence of the petty bourgeoisie and small enterprises in contemporary capitalism and how they are to be persuaded to accept the end of (traditional, capitalist) money, or how long this might take.

Money, prices, negotiated coordination, and information technology

Whether or not they realize it, other Marxist advocates of comprehensive democratic planning who dispense with the labour-tokens idea are, like Harman, building on Trotsky's recommendations. In *The Revolution Betrayed* and elsewhere, he argues that the *a priori* calculations of any form of planning have to be tested against market expectations — is there a demand for this or that use-value? Are there people trained and willing to perform this or that type of labour, and, if so, in what quantities? — propositions he believed unthinkable in the absence of a stable monetary unit:

> The nationalization of the means of production and credit, the co-operative or state-izing of internal trade, the monopoly of foreign trade, the collectivization of agriculture, the law on inheritance set strict limits upon the personal accumulation of money and hinder its conversion into private capital (usurious, commercial and industrial). These functions of money, however, bound up as they are with exploitation, are not liquidated at the beginning of a proletarian revolution, but in a modified form are transferred to the state, the universal merchant, creditor and industrialist.[29]

Ernest Mandel likewise made a categorical distinction between the existence of market categories (prices, wages, etc.) and the domination of the law of value, the first not being the proof of the second. Although he made this distinction in the context of explaining how the Soviet Union could retain prices and wages while lacking market discipline and using a form of "money" that was merely an accounting unit and not capital, it has implications for the possibility of socialist money that lacks the defects associated with the Soviet rouble.[30] Catherine Samary also stresses that the "use of money and of ordinary buying and selling does not contradict the efficiency of a plan. It can be a tool used for its elaboration and implementation and to check that it does satisfy needs, whether of consumers or of socialized factories needing semi-finished goods for their own production. This would leave possibilities open to choose another supplier if one is not satisfactory."[31]

In a similar vein, since the late 1980s, Pat Devine has provided a model of democratic planning that attempts to flesh out essentially what Trotsky suggests: to use social ownership of the means of production to overcome market forces so that each private owner acts in an atomistic fashion, in ignorance of decisions being made simultaneously by other owners. This leads to what Marx and Engels called "the anarchy of production," while retaining the use of market exchange: the output of an enterprise, produced with its current capacity, being sold to another enterprise in the case of intermediate goods and services, or to consumers in the case of consumer goods and services. Changes in the structure of productive capacity, involving major investment and disinvestment, would no longer be brought about by the operation of market forces as in capitalism and market socialism, but by what Devine calls "negotiated coordination" among those who would be affected by changes in capacity and the structure of productive resources, analogous to the decisions made by the headquarters of multidivision capitalist firms.[32] This model of participatory planning does not attempt to plan all activity — such as consumption — in advance, but it does incorporate planning in advance of significant investment.

The greatest strength of Devine's model is the attention it pays to contributions made by the founders of the Austrian school of economics to the socialist calculation debate, initiated in 1920 by von Mises and continued by Hayek and the current Austrian school. The Austrians first claimed that much, perhaps most, information relevant to economic decisionmaking is local information, specific to time and place. They argue that such information cannot be formulated, transmitted to a planning centre, and then processed because of the sheer enormity of the task. This has been answered by models of socialist planning that make use of modern information technology and computer processing, such as the Cockshott and Cottrell model. However, the Austrians also insisted that such knowledge is not just decentralized but also generally "tacit" — meaning that it is knowledge based on knowing how to do something rather than on knowing that something is the case. Such knowledge, von Mises and Hayek maintain, is learned through practical experience and can be drawn upon only by those who have had that experience. It cannot be separated from those whose tacit knowledge it is, and so, by its very nature, it cannot be centralized.

Devine's model of negotiated coordination avoids what could be called the Hayekian problems that would surely plague electronic central planning as envisioned by Cockshott and Cottrell. Decisions at the level of Devine's socialized enterprises are taken by the social owners at that level, drawing on their tacit knowledge, as is presently done by capitalist enterprises. The difference is that the social owners include all those with an interest in said decision and not solely private owners and their representatives as in capitalism, and therefore the range of tacit knowledge drawn upon is much broader, and the decisions made are likely to be more efficient. Investment decisions, in particular, are made by negotiated coordination bodies, comprising the social owners at that level, incorporating a much greater set of tacit knowledge than in capitalist decisionmaking.

That said, despite its obvious merits, potential problems are also implicit in Devine's vision of a socialist economy. While it obviously does not fear imperative planning as such (as do models of market socialism), it has little to say about price formation, and

what it does say gives some pause. In Devine's model, a representative assembly chooses from plan variants prepared by a planning commission, thereby determining major macroaggregates and strategic priorities; the planning board then sets primary input prices; socialized enterprises decide what to produce at what prices; and then market exchange occurs. Devine is clear that all enterprises are to be pricemakers and not pricetakers because any model based on centralized prices is "vulnerable to the Austrian tacit knowledge critique."[33] But even if Devine has no desire to see price competition as it exists under capitalism, if enterprises are pricetakers, then this sort of pressure is likely to emerge despite socialized ownership and governance. Devine's enterprises "in general" compete with other enterprises in the same industry, even though commercial rivalry is supposed to play no part in his model.[34] The ghost of abstract labour, so to speak, consequently still hovers over Devine's vision, however unintentionally. Furthermore, while Devine has made strong arguments against the idea that negotiated coordination would necessarily involve an excessive number of meetings, there is significant merit in the suggestion that democratic participation in general "should be optimized, not maximized, and this seems impossible without use of *parametric forms*, such as planned prices and reward formulae."[35] Devine's emphasis on the importance of locally specific knowledge (and initiative) might fatally undermine the case for completely centralized planning, but, as David Laibman explains, electronic planning need not take such a form:

> The unending growth of firms in capitalist economies relies on electronic networks (intranets) to manage entities that are in some cases the size of small countries. There is every reason to believe that these information technologies can be transferred to and further developed within a socialist context, in which the obstacles to their full potential application created by the anarchy and antagonism of capitalism would be left behind.
>
> Modern IT, however, also contains huge potentials for *delegation* — for coordinating and aggregating local plan formation and execution activities in ways that both provide those activities with a stable and comprehensible macro frame, and enable localities (enterprises) to act creatively, autonomously and meaningfully in terms of local possibilities.[36]

Given this potential, one is left with this concluding question: why should we not use the supercomputers currently used to manage transnational corporations (and trade stocks) to instead allocate resources and plan for the future, from the workplace level to the global level?

Laibman aims to prove this can be done through his conception of Multilevel Democratic Iterative Coordination (MDIC) in which a core democratic planning system (without what he calls "spontaneous" price competition) exists alongside a subordinate market sector. His model overlaps with Devine's; he claims even that the best possible outcome of "comprehensive democratic coordination" will be accomplished through "'negotiated coordination': systematic and continual consultation among work collectives, residential communities, educators, cultural communities (based on gender, ethnicity, language), and administrators who represent the large picture and work under democratic mandate and control."[37] As with Devine's proposal, Laibman's vision of socialist planning clearly contains a centre, but this centre has abilities, and responsibilities, lacking in Devine's model:

> First, it aggregates the plans of enterprises, determines the implications of those plans for others (e.g. the evolving demanded assortment of outputs), and shapes enterprise plans into a consistent whole, by asking or (according to its democratic mandate) forcing enterprises to modify their plans. (The property that society places at the disposal of the enterprise's personnel is not theirs to do with as they wish; wider social interests must be invoked where necessary.) Second, the centre is responsible for *planned price formation*. All transactions take place at *socialist reproduction prices*; spontaneous price competition among enterprises is prohibited, so that enterprise income … can be enhanced only by means of real activity (e.g. increasing productivity or quality of output). Socialist reproduction prices result from calculation of direct plus indirect resource use by enterprises, and also embody the long-time horizons necessary if the society is to address looming ecological constraints and requirements of sustainability. We may assume that many other social goals can be progressively embodied in price formation, and that this conception of price goes far beyond what *any* spontaneous competitive mechanism (capitalist or 'market socialist') could accomplish. Third, the centre internalizes the many and important external effects of enterprises' projected activities, effects that cannot be perceived or addressed at the level of each enterprise acting alone, no matter what the will may be to do so. Finally, the centre runs optimizing programs (with a level of aggregation and calculation resources not available to the enterprises separately), progressively shaping the consistent plan into something approaching an optimal one.[38]

Clearly, this model of what Laibman dubs "rational iteration" differs greatly from the Cockshott and Cottrell vision of centralized planning — and not merely because it dispenses with the labour-token distributional conception. Here, the centre is a visible part of "a continuous planning procedure based on the active involvement of local worker councils (enterprises), [and] is subject to democratic control: complete visibility, critical debate, and, so far as possible, participation by many people in its work."[39]

Again echoing Devine, Laibman implicitly makes a distinction between market forces and market exchange, though he does not use these precise terms. His writings make clear that, even in the first stage of a classless society, there will be some usage of markets. Such markets involve, in part, recognition that not all economic units can be fully socialized quickly when they exist within what Westra has called "small-m markets."[40] Socialist markets:

> Initially describe interactions between a […] public sector and surrounding forms of individual production, typically in agriculture, retail trade, and services. Here, the core socialist economy, operating under democratic coordination, occupies the famous 'commanding heights': the spontaneous sector is subject to enforceable and widely supported regulations regarding wages, working conditions, environmental impacts, et cetera, and also to progressive taxation. In this way, the elemental market cannot become the tail that wags the dog. We can propose that as a socialist system matures, increasing parts of the spontaneous, or informal, sector are brought under the umbrella of democratic coordination, as this becomes possible due to the evolving political consensus and comprehensive (central-decentral) coordination. What remains becomes more and more vestigial.[41]

Laibman also acknowledges that, even in the fully socialized core of his model, enterprises have contractual relations to one another, that is, they buy and sell to and from each other. Once more, this does not seem very different from what Devine envisions. The key difference, however, is the use of a core set of calculated prices as described earlier. Such a means of price formation is more likely to achieve Devine's

own goal regarding socialist prices — that they cannot "disrupt the fundamental socialist principle that prices, and therefore incomes, are determined democratically and intentionally through negotiated coordination, and not by forces outside of human control ('the market')." Moreover, while Devine never discusses the possibility that prices and money might, as Trotsky wrote, exhaust their historic mission, evaporate, and fall away, Laibman believes that this is both possible and likely because, within the core sector, "social evaluation links each enterprise to wider social, community, and industrial settings; the relative isolation that makes market interaction necessary is therefore progressively transcended."[42] However unintentionally, Laibman's concept of the withering away of market mechanisms dovetails with Trotsky's own formulations:

> Markets are not abolished; *they slowly wither away*, as socialist life matures and the possibilities of intentional, democratic coordination expand. But, as in the case of the state, the withering of the market does not mean the disappearance of all of its functions. The positive content — local initiative, horizontal contracting, and responsibility — emerges from within the former shell of alienating relations that remove people from control over their lives and support capitalist exploitation, and merges with the new, dynamic reality of democratic coordination and planning. We can, therefore, oppose 'market socialism' with something more subtle, realistic, and operational than 'market abolitionism.'[43]

In lieu of a conclusion

There is no doubt that Marx (and Engels) identified socialism with the liberation of social labour from its subordination to the law of value. But how does the law of value impose order on the otherwise atomized collection of individual capitalist "producers"? It does so through the feedback mechanism of the average rate of profit. Only where that is earned is the labour expended accounted fully as social labour. Prices thus serve a parametric function under capitalism, hurling investment away or propelling it towards avenues of production in accordance with profitability.

In a society without commanding centres of planned regulation, the distribution of productive forces — both people and means of production — among the different branches of the economy, the distribution of the net product between classes, the allocation of surplus value to expanded reproduction, and the introduction of technical innovations, etc. are all determined by the law of value. Here, the commodity is the most general category of political economy, characterizing as a whole the type of production relations between people who, as independent producers, are connected in a single economic whole by means of market relations. The law of value supplies, in essence, everything necessary for the normal functioning of the whole productive system of generalized commodity production. Moreover, as this drive to profit invariably creates massive social externalities that must be addressed — in the form of a looming ecological disaster — it is increasingly obvious that this enormous pool of surplus labour time cannot continue to be appropriated privately without putting civilization itself at risk. A massive portion of surplus labour time must be sacrificed to remediate the very externalities capitalism has itself generated, a prospect that capitalism is resisting with all of its political will.

Logically, it follows that a system of so-called market socialism in which the means of production are administered as the collective property of the immediate producers (in essence, its shareholders) would, in response to market signals, mimic capitalism, even if this property is owned formally by the public (the state) and leased to specific groups of workers. Such a system would be fundamentally unstable and lead back to capitalism, which is the more consistent expression of these relations.

This, however, is not what Marxists such as Kautsky or Trotsky were advocating (nor what Devine or Laibman advocate currently). Not required to make concessions to those who retained labour-time-token notions derived from Owenite socialism — concessions that Marx, it appears, did make[44] — they argued for a system of collective labour administered democratically from below, and coordinated through a social republic along the lines of the Paris Commune or soviet democracy. The regulatory commissions, for want of a better term, would exist to integrate the interests of consumers and producers and to fuse supply *a priori* with demand. But this integration is dynamic and the plan is always in process — provisional and fluid. Prices, money, and market exchange — these are needed as means for teasing out these relations and testing planning consistency as it evolves and develops. This is by no means a proposal for the domination of society by the law of value, as Marxist market-abolitionists would claim. Prices and socialist markets merely provide laboratories for planning — for production for social need (including the need to maximize free time) and not the chains that subjugate society to profit maximization.

Ultimately, no mass audience for socialism will be recruited based on how convincingly Marxists answer Austrians on socialist planning, and the possibility of bribing public officials might exist for as long as relative scarcity and money exist (though the replacement of physical currency with purely electronic currency might fix this potential problem). But even with the use of market mechanisms, socialist society can still be built upon an organizing principle that does not capitulate to the spontaneous market, that abolishes labour-power as a commodity, and that places human needs at the centre of social concern, rather than as a contingent instrumentality of capital accumulation. Socialist production and distribution, even before the coming of relative abundance of all mass-produced goods and the end of prices and money, will rest upon the solidarity of the associated producers. The valuable work of Devine and Laibman provides suggestions as to how this might be arranged.

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Notes

1. See Jay, *The Dialectical Imagination*.
2. See, for example, Micklethwait and Wooldridge, *A Future Perfect: The Challenge and Hidden Promise of Globalization*; Wheen, *Karl Marx: A Life*.
3. Marx and Engels, "The Communist Manifesto," 224.
4. Panitch and Gindin, *The Making of Global Capitalism*, 20–1.

5. Panitch and Gindin, *The Making of Global Capitalism*, 20–1.
6. Roberts, "The Informal Empire, Finance and the Mono Cause of the Anglo-Saxons."
7. Shaikh, "The First Great Depression of the 21st Century," 44.
8. Moseley, "The U.S. Economic Crisis: Fundamental Problems and Possible Solutions," 60–1.
9. Carchedi, "Zombie Capitalism and the Origin of Crises."
10. Roberts, *The Long Depression*, 270.
11. In this essay, I use "socialism" as a synonym for "communism," that is, the classless society. I deliberately ignore the idea of socialism as the first stage of communism, which began not with Marx or Engels but with the Second International and was carried into the Third (and Fourth) International.
12. The end of the gold standard in the 1970s did not alter this fact. Although Marx assumed in *Capital* that money must be linked to a particular commodity, "the existence of such a commodity is in no way a necessary consequence of his analysis of the commodity and money … that the general equivalent must be a specific commodity was not proven by Marx, merely assumed … the existence of a money commodity is merely a historically transitional state of affairs." Heinrich, *An Introduction to the Three Volumes of Karl Marx's* Capital, 70.
13. Hudis, *Marx's Concept of the Alternative to Capitalism*, 42.
14. Hudis, 197.
15. Marx, *Capital: Volume II*, 434.
16. Kautsky, *The Class Struggle (Erfurt Program)*.
17. Trotsky, *The Revolution Betrayed*.
18. Harman, "The Myth of Market Socialism."
19. Schweickart, *After Capitalism*, 49.
20. Westra, "Economic Life beyond Capital," 358–9.
21. Buick and Lawrence, "How Socialism Can Organise Production Without Money."
22. Panayotakis, *Remaking Scarcity: From Capitalist Inefficiency to Economic Democracy*, 10.
23. Löwy, "Ecosocialism and Democratic Planning," 301.
24. The initial presentation of their model of socialist economy appears in Cockshott and Cottrell, *Towards a New Socialism*.
25. Adaman and Devine, "On the Economic Theory of Socialism," 73.
26. Cockshott and Cottrell, 69–70, 78–82; Macnair, "Transition and Abundance."
27. Macnair, "Debate: Inspiring View of Future Society."
28. "Thus, while Cockshott and Cottrell's model effectively disposes of the argument that direct calculation is practically impossible, on which the plausibility of [Alec] Nove's advocacy of market socialism as the only 'feasible' socialism primarily rests, it … nowhere addresses the issues of discovery and entrepreneurship … [Cockshott and Cottrell] operate within the neoclassical epistemological paradigm in which knowledge is assumed to be objectively given and readily codified and transmitted." Adaman and Devine: 73, 75.
29. Trotsky, op. cit. One might argue further that modern fiat money is a state creation, and its existence will continue — with different purposes, aims, and functions — under the public authority of first-stage socialism/communism.
30. "[P]rices in the Soviet Union were set according to the social or economic goals of the planning authorities and did not reflect costs or the pressure of supply and demand." Samary, "Mandel's Views on the Transition to Socialism," 164.
31. Samary, "Mandel's Views on the Transition to Socialism," 184.
32. Devine, *Democracy and Economic Planning: The Political Economy of a Self-Governing Society*; Devine, "Market Socialism or Participatory Planning?," 67–89; Devine, "Participatory Planning Through Negotiated Coordination," 72–93.
33. Devine, "Participatory Planning," 92. Devine sees this as occurring "because of different product specifications or because of different efficiency levels, whether due to objective differences or different internal working practices." Devine, "Participatory Planning," 80.

34. Devine, "Participatory Planning," 77.
35. Laibman, "Incentive Design, Iterative Planning and Local Knowledge in a Maturing Socialist Economy," 53.
36. Laibman, 53.
37. Laibman, "The Future within the Present: Seven Theses for a Robust Twenty-First-Century Socialism," 311.
38. Laibman, "Mature Socialism: Design, Prerequisites, Transitions," 504.
39. Laibman, "The Participatory Economy: A Preliminary Rejoinder," 518. In this piece Laibman critically analyzes the "participatory economics" vision of the non-Marxist socialist Robin Hahnel, arguing that the model is "torn between nether poles of information overload and talk-talk, on one side; and automatic ratio-driven non-participation that degenerates into a replica of a spontaneous market driven process, on the other." Laibman, 515–6. He also echoes Devine's criticism of Hahnel's use of a version of Walsrasian tâtonnement.
40. "Recall Marx's observation that markets existed in the 'interstices' of the ancient world as adjuncts to the core modes of economic life. The genesis of the capitalist mode of production was the subsumption of material life in human communities by market operations. What has been dubbed the small-m market … as it existed in antiquity, may be co-opted benignly as one component of a socialist future." Westra, 359.
41. Laibman, "The Future within the Present," 313.
42. Laibman, "The Future within the Present," 313.
43. Laibman, "The Future within the Present," 314.
44. "Owen's 'labour money,' for instance, is no more 'money' than a theatre ticket is. Owen presupposes directly socialized labour, a form of production diametrically opposed to the production of commodities. The certificate of labour is merely evidence of the part taken by the individual in the common labour, and of his claim to a certain portion of the common product which has been set aside for consumption." Marx, *Capital: Volume I*, 188–9.

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