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Democratic Coordination: Towards a Working Socialism For the New Century*

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1. *Conceptual Preliminaries*

a. SOCIALISM: MARKET, HURRAH, NEW. Following the end of the real 20th century in 1989–91, socialists have felt a need to re-define their project from ground up. The notion of "market socialism" — spontaneous markets without private capital accumulation — experienced a revival of sorts (Roemer, 1994; Wright, 1996; Schweickart, 1992, 1996; Roosevelt and Belkin, 1994; cf. Ollman, 1998). One line of opposition to this has been a return to the traditional orthodoxy based on classical Marxist texts, complete with grand references to "freely associated producers" and calls for "abolition of the law of value" (*e.g.*, Ticktin, in Ollman, *et al.*, 1998). I call this "hurrah socialism," a term clearly designed to signal its utter inadequacy in the face of the new challenges to the socialist project.

"New" socialism, by contrast, refers to the effort, strongly represented in this Special Issue of *Science & Society*, to create visions of socialist possibility that *both* transcend the pale capitulation to the elemental, atomistic, polarizing and alienating qualities of spontaneous markets, *and* begin to answer the hard questions about the actual institutional forms and structures of socialism (Devine, 1988; Albert and Hahnel, 1991a, 1991b, 1992; Cockshott and Cottrell, 1993, 1997).

* This is a condensation of a larger paper (Laibman, forthcoming); it is also part of a series of works addressing the issue of socialist re-visualization, in the period following the end of the Soviet era (Laibman, various dates, in references).

b. *Millions of equations; individuated, thorny people.* The questions are indeed hard, and the people, well, thorny. Critics of socialism are not wrong: there *are* multiple millions of equations, equally large numbers of goods to be produced and different methods of production, vastly local knowledges, rapid and often unpredictable change, and diverse, highly educated human beings, with strong and dynamic expectations (Nove, 1983; Hayek, 1935; 1945). This implies pervasive conflict over at-least-momentarily scarce resources, even assuming complete transcendence of capitalist power over the means of production and the labor process. Any revival of socialism that is worthy of inclusion in the "new" category must face this challenge head on.

c. *Use our history: good, bad, east, west.* Envisioning requires imagination; imagination is *not* "utopian." Socialism is the first form of human society that must be consciously constructed. We are the species that first erects structures in our imaginations, before erecting them in reality (cf. Marx, 1967, 178). Our imaginations, however, do not live in a vacuum, like those of the cardboard "intellectuals" of, say, "individualist" novelist Ayn Rand. They distill and synthesize a vast creative experience, and materialist method requires that we consciously draw upon all of the relevant practices.

I know this is a bitter pill for many "western" Marxists to swallow, but the Soviet experience, for all of its serious and ultimately fatal flaws, is a vast laboratory of socialist construction — far ahead of anything comparable in the often more technologically advanced countries of Eastern Europe (see Ellman, 1973, 1979; Khudokormov, 1967; Lange, 1956; 1962; Zauberman, 1967). This claim, of course, requires its own detailed buttressing argument, which cannot be provided here (but see Laibman, 1992). The point at present is simply that, now that the cold war is (presumably) over, new socialists must face down the still existing ideological prejudice against recuperating all of the lessons, *both positive and negative*, that can be drawn from the main 20th-century experience of revolutionary postcapitalist power.

d. *Socialism as process.* One of those lessons is that we ought to think about socialism dynamically, not statically. It is a process of maturation — a long, slow dialectic of changing social conditions and changing consciousness, in which new consciousness makes possible new attainments in democratic control over the socioeconomy, on the one

hand; and the new conditions in turn provide the base of experience on which the new consciousness can be stably reproduced and advanced, on the other. Some of the maturational quality of developing socialism can be captured by the use of *stages* in the theoretical realm, and we need to get back to the research agenda begun by Marx in the *Critique of the Gotha Programme* (Marx, 1933), in which lower and higher stages of communist society were distinguished. Some of my new-socialist comrades tend to collapse stages together, I think, placing all of their modeling on the plane of the final attainment of the most advanced stage. I believe we would do well to return to the framework of lower and higher stages, and conditions of possibility for transition from one to the other — without, of course, necessarily accepting any received definitions of these stages and transitions.

e. *Avoid excessive product differentiation.* Finally, a caution against the excesses of the overly speculative (Feuerbachian?) standpoint. Speculation and imagination are, as noted above, absolutely essential! If we do not speculate about "passionate possibilities," who will? In a period when Marxism is largely cocooned in the academy, however, speculation can become abstract and distant from really existing political and social movements. In that environment, the differences among us can appear greater than they actually are. Different models can and should be developed, but we ought to acknowledge that no single model or individual perspective is likely to grasp something as vast as a re-conceived socialism in its entirety, and that the task of synthesis of elements from the various perspectives will undoubtedly come onto the agenda farther down the road.

2. *Contours of the Maturing Socialist Economy*

Having said that, here is my model!

a. *Democratic coordination.* I start with the core mechanism defining the economic process. Here the adjective–noun pair "democratic coordination" replaces the traditional "central planning," and this requires explanation.

"Coordination," rather than "planning," because the former term is simply a more accurate description of the process that progressively replaces the spontaneous market in allocating labor activities, choosing production techniques, and distributing products to their users. (*Planning* remains a crucial element in socialism; see below, section

2c.) It is "democratic," rather than "central," because the central site is only one site among several at which the coordination function is carried out, and the qualifier "democratic" must apply to all of them.

The key notion of iteration can be explained using a model with only two sites, which may be called "central" and "decentral." The latter corresponds to on-the-ground production collectives, or enterprises; the former, of course, to the overall regulating body that coordinates the activities of the enterprises. This matchbox-sized model should be understood to stand for a much more complex system of "levels," possibly including work collectives within enterprises, enterprises, local or regional midlevel territorial bodies, midlevel industrial associations, and perhaps other steps in an organizational hierarchy up to the ultimate central coordinating body.

General economic coordination requires a careful and evolving blend of general social control and decentral autonomy. *Both* are essential for the progressive emergence of actual democracy. The enterprise *must* create its own detailed production prospectus, on the basis of its unique situation and local knowledge. This prospectus, however, reflects the enterprise's status as a publicly owned resource, with a general function in production designated by a democratic political process. It is not a self-owned, autonomous entity seeking its own destiny independently of other such entities. Thus, the enterprise has an overall mandate to produce goods of a certain type; it cannot decide unilaterally to sell off its automobile producing equipment, for example, and re-tool for the apparel industry.

At the same time, democratic coordination does not mean that every detail of the enterprise's activity — the exact assortment of output, for example — must be previsioned *in time*. The Soviet process of iterative negotiation leading to a detailed plan, which then acquires force of law and becomes binding upon the enterprise (Ellman, 1979), reflected a given stage in the development of information technology. At mid–20th-century levels of data processing and transmission, temporal closure was required. Thus, an enterprise's annual plan for a given year was completed, according to a stated calendar, by a particular date in the preceding year (in practice, delay often caused enterprises to enter a production period without the plan for that period having been finalized). With modern electronic informatics, the process can be much more continuous. Enterprises continually adjust their output assortments, techniques, etc. to chang-

ing conditions, and these adjustments are instantaneously reported to and compiled by the center. The center, in turn, computes and transmits the overall parameters of the economic aggregates to the enterprises (and the public). It also intervenes, when necessary, and according to its democratic mandate, when impacts of the evolving proportions of economic activity on the general balance of resources, the environment, residential patterns, transport, etc. require that intervention.

The key insight — the socialist epiphany, if you will — is that neither the central nor the decentral levels can function effectively, and *democratically*, without the other. Without the overall stability and sense of prevision afforded by the formation of a central set of coordinating parameters, the decentral units cannot act effectively. In a market or negotiating environment of spontaneous, elemental flux, in which the outcomes resulting from the actions of myriad interacting individual units can only be known after the fact, no one can effectively plan, or create. In conditions of modern productive forces, with significant forward and backward linkages of activities and large external effects, markets and democracy are increasingly incompatible. The stable framework afforded by the central function provides the space within which intelligent choice, and therefore democratic action, is possible at the decentral level.

At the same time, the autonomy and initiative of the decentral collectives is the essential basis for meaningful coordination at the center: without it, no reliable information can be generated for use by the center and the center would be embroiled in the well-known situation characterized by the statistician's acronym, GIGO ("garbage in, garbage out"). Here we incorporate into our conception the important idea of local knowledge: it is not only that production conditions are particular and concrete, but also that the actual requirements and possibilities in production can only be first discovered by production collectives in a process of learning-by-doing, in which people are mobilized in participatory fashion.

More will be said below about the sources of democratic input at the different levels, and the ways in which the criteria to be followed at each level are developed. Here, two points must be emphasized. First, given the continuous flow of information in both directions between center and locale, the information technology exists to con-

vergently hone in on a detailed and consistent set of enterprise activity guidelines ("plans"), linked into an overall economy-wide guideline. In general, spontaneous enterprise search for contractual partners (suppliers and consumers) will not produce an optimal pattern of contacts and flows; this can be seen even in the simplest classical linear programming formulations. Horizontal search and contracting by enterprises can be incorporated, however, by means of the principle of complete visibility, according to which all actions are instantaneously transmitted to the center, which can intervene in cases where a significant deviation from an optimal regime results.

Second, democratic input is essential at both the central and decentral levels. We should avoid the category error of counterposing "central" to "democratic." On the one hand, there is nothing inherently democratic about the decentral site; local tyrants abound in history. On the other, there are many ways in which the democratic will can and must be enforced at the central site, by organized input from lower-level bodies, participation by representatives of consumers, local communities and other interested constituencies, referenda, etc., but above all by the fact that the entire process will be operating in a political culture of openness and debate. (I need hardly mention that this crucial element was missing in the Soviet experience.)

b. *Prices, Incomes, Incentives.* In contrast to output levels, which (I suggest) need not be precisely pre-calculated in the central coordination schema, a general, baseline set of prices must be calculated (for background on socialist price mechanisms, see Abouchar, 1977). The qualifier "baseline" is necessary because it will not always be possible to identify a discrete set of goods that is constant over any given activity cycle. In many industries, products have style and custom elements — genuine product differentiation — that make it impossible to identify a single class of goods with a single price. In these cases, the price set for a generic, representative good would be subject to modification and variation around the baseline, on the basis of cost differences.

There are essentially three reasons why the full computational capacity of the Economic Coordination Network (the E-Coordi-Net) should be placed at the service of computing a detailed price list, rather than simply waiting for spontaneous market or market-like processes to bring one into existence. First — this is a rather technical argument

that cannot be explained in full here — to build prices that measure the full social use of resources in the production of each good, society must compute returns to certain stocks of resources that are not held by individual enterprises, such as housing, education, and other elements of social provisioning. No system of spontaneous competition, whether capitalist, market socialist or any other, can accomplish this.[1]

Second, prices are the basis of income formation. In some situations, it may prove useful to allow enterprises to vary sale prices in response to swings in demand. With fixed prices, inventory swings, shortages and gluts may serve as indicators guiding subsequent production activity, but these phenomena are costly in the meantime, and some price variation away from the benchmark price may be desirable. In these cases, enterprise income will be formed on the basis of the benchmark prices, rather than that actual sale prices. This means that windfall profits will be paid into the central budget, and windfall losses will be made up out of the central budget. Enterprises and their workers should not be rewarded or penalized for swings in demand that have no relation to their effort or activity.

"Competition" is one of those ambiguous concepts that needs to be carefully unpacked; when it is, we find elements that are quite congenial to a maturing socialist economy, such as competition *via* product quality, service, reliability in deliveries, etc. Enterprises that are successful in these endeavors may receive higher shares of their net income retained as personal income for their members (see below). The benchmark price proposal, however, prevents enterprises from engaging in *price* competition, which makes their products more attractive to potential customers at the expense of the income of their members. This usually takes a class-antagonistic form in capitalist societies, and market-socialist societies would be tempted to follow suit. Even if the income sacrifice is equally distributed, however, it is not warranted. The restriction of income formation to benchmark prices removes this form of competition.

Finally, the benchmark, or social reproduction, prices remain stable for a period of time, long enough for people to actually get to know and use them. Capitalist economics textbooks make a fetish of continuous marginal adjustment, implying that anything less is inef-

1 For a detailed analysis of the *social reproduction prices* required for efficient socialist calculation, and their progressive convergence to labor-value proportions, see Laibman, 1992, ch. 14. Cf. Brody, 1970.

ficient. Continuous adjustment, however, means that prices are not known at any given time; they must be estimated, through a fog of uncertainty and statistical noise. The benchmark prices clearly need to be adjusted from time to time as technical and other conditions change. The goal is to find an optimal rate of adjustment, which keeps prices current, on the one hand, but does not induce elevated costs of ascertaining what they are, on the other.

Using benchmark prices, enterprise income is formed. This income must be resolved into personal incomes of the enterprise personnel, and this raises two issues: first, the share of enterprise net income that will remain at the disposal of the enterprise rather than being paid into the central budget; second, the degree of equality or inequality in the distribution of the enterprise share to the various enterprise personnel.

The first issue is the classical site of the problem of enterprise incentive, and a central element in socialist democracy. In the iterative system described in section 2a above, the production collectives have the responsibility of carrying out their own detailed coordination calculations (formulating their own "plans," in the older language, which I am finding it hard to escape entirely). They are expected to be both ambitious and realistic: to set the highest *feasible* goals for output levels and quality, productivity growth, etc. Only in this way will the numbers they transmit to the center, including orders of equipment and materials, be realistic and efficient, and therefore "good" numbers to be compiled into the higher-level calculations. In short, in seeking a principle for forming retained income out of enterprise net income, the goal is to reward enterprises both for planning ambitiously, and for fulfilling the plan exactly (neither overshooting nor undershooting the targets).

The incentive aspect of this will be considered later. Here I want to point to a "passionate possibility": the *income-forming index*, on the basis of which the enterprise share of its net income, calculated using benchmark prices, will be determined, may be made up of any number of different *success indicators*. Some of these may be similar to those facing firms in a spontaneous market system, and can be summarized into one indicator: the realized net rate of return to stocks of resources under the enterprise's control. Leaving to one side the issue of those stocks not placed at the disposal of the enterprise, this indicator captures many traditional aspects of economic efficiency: efficient use

of both stocks and flows of resources, maximizing productivity, producing saleable output.

The socialist enterprise, however, has other obligations, and these are captured by additional success indicators. The enterprise must meet social targets for abating and controlling negative external effects of its activity: pollution, environmental damage. Indicators measuring this aspect of the enterprise's performance can enter into the share-forming index, and — a crucial point — members of wider social constituencies, organized in their own representative bodies, can play a role in determining *both* the nature of the success indicators and the weights to be attached to them, *and* the evaluation of enterprise performance on the basis of them.

This applies also to indicators for positive external effects (only "external," following an obsolescing terminology, in relation to the "traditional" goals of firms): these are, for example, measures of the enterprise's efforts to recruit and promote women; to recruit and promote people from culturally disadvantaged groups; to relate to the communities in which they exist, by (for example) working with schools and other community organizations; to associate with other enterprises in disseminating skills and technical information — the list is undoubtedly incomplete. These indicators are essentially qualitative. Again, representatives of the various constituencies affected are drawn into the process of creating the measures of success, establishing their relative weights, and evaluating enterprises using them. These activities require additional organization, on both central and decentral levels; the possibility of organizational hyperextension and inefficiency, and of political deterioration of the process, is clearly present, and must be faced. The important point to note is that comprehensively coordinated socialist structures make it *possible* to build social goals into the very reward structure of work collectives.

The second central issue in the formation of enterprise income is the manner of its distribution to individuals. Here we confront the classical issue of incentives. At issue is the relative weight to be given to material and individual incentives, as opposed to moral and collective ones. (There are two cross-cutting distinctions, but this summary formulation must suffice for a brief presentation.) Paying due attention to the development of this problem in many 20th-

century socialist contexts, all experience suggests that, given initial ideological bias towards the moral/collective pole and away from the material/individual one, the inherent need for material/individual differentiation and stimulation, at historically given levels of social consciousness, has made itself felt. In both the Soviet Union and Cuba, for example, excessive equalization of incomes was found to be harmful to the development of socialist consciousness, paradoxically making further equalization more, not less, difficult. The materialist standpoint posits that material/individual incentives *exist*; the question is not "whether" to employ them, but how to best coordinate income differentials with moral and collective rewards in such a way as to lay foundations for eventually transcending the need for systematic differentials (other than those stemming from different levels of need).

It should be understood that socialism, in one stroke, eliminates the vast inequality inherited from capitalism: the inequality of income based on the class monopoly of wealth and power. The remaining inequality derives from the inherited stratification of the work experience, and that cannot be simply wished away. It can be gradually attenuated, along with the division of the workforce into creative–managerial vs. routine functions, intellectual vs. manual labor, instrumental vs. "caring" labor, etc.

c. *Miscellany: parametric forms, referenda, entrepreneurs, planning.* The outlines of the system of comprehensive, multi-level, democratic coordination, with artificial — calculated — prices, multi-valued income formation indices, and appropriately differentiated incomes, can be supplemented with brief descriptions of several additional elements.

Parametric forms are formulas that enable people to calculate a course of action that is in their own best (pecuniary) interest, while meeting built-in social criteria and raising people's consciousness about those criteria. An example would be a formula to calculate the enterprise income share, which rewards the enterprise for both planning ambitiously, and for fulfilling the plan, once adopted. This is trickier than it sounds. An entire literature on incentive design has grown up (see Campbell, 1995); this literature emerged out of the Soviet economic reforms beginning in the 1960s, but has been dominated by non-socialist scholars who have little interest in its most in-

teresting potential applications! The idea of parametric forms suggests that we need help putting into practice our own best ideals. It is a bit like when we individually set a reward for ourselves — say, a nice dessert — which we only permit ourselves after having completed a difficult task (such as writing a paper on socialism).

Referenda. A socialist society, through the E-Coordi-Net, can instantiate an intensity of democracy that even J.-J. Rousseau could never have imagined: *continuous* voting on the central "macro" issues of the economy, which I take to be the growth–consumption tradeoff and the coefficients of income differentials. Combined with parametric forms — formulas that prod us to be principled as we pursue our self-interest — we can build a genuine consensus out of multiple free individuals.

Entrepreneurs. Socialism must find ways to encourage genuine innovation, some of which does take place at the level of the individual. An Entrepreneurial Fund, available to all applicants, or perhaps allocated by lottery if applications exceed available funds, would support real invention and creative product development, and select for people who are truly motivated to succeed in those pursuits, rather than by the twisted dream of acquiring vast power and wealth. On the foundation of a genuinely democratic socialist consensus, a socialist economy can make room for entrepreneurial enterprises (they would be given that status for a fixed period), as well as for an informal sector; both of these elements can be prevented from generating backward social movement by means of progressive income taxation and enforcement of labor remuneration, safety and health legislation, but above all by the climate of visibility in place in the core socialist sector.

Planning. This final link in the chain requires brief mention here. The coordination system is not "planning" (although it is usually called that). But insofar as the coordination problem is progressively mastered, and a judicious combination of central guidance under democratic mandate and local initiative is achieved, the question of genuine planning can finally be posed. This means involving wider and wider sections of the community in projecting and shaping the society's future: forms and rates of growth, siting of productive activity, the physical layout of communities, relation of residential and productive areas, protection and enhancement of the built and natu-

ral environment, ecologically sound management of planetary resources. This amounts to nothing less than progressively placing human destiny under human control.

3. *Concluding Remarks*

On the one hand, we are not utopians. We must avoid "writing recipes for the cookbooks of the future," as Marx once put it.

On the other hand, we need to apply the greatest possible degree of scientific imagination to the visualizing of alternatives to capitalist exploitation, polarization, instability, alienation, corruption of the human spirit, despoliation of the environment, and general out-of-control rush to destruction. Are we trying to ride two horses in different directions?

No. The models and visions are ingredients in a thought process that will — must — involve increasing numbers of people. The goal and the means of attaining it are inter-defined. As we think about alternatives, the visions enter into politics: working people adopt not any particular set of specifics, but the project as a whole — and thereby become a stronger force. Then, as that force confronts the power of capital and conquers some limited territory within the existing society, new experience brings newer and better versions of the vision to the fore. These, in turn, strengthen the movements in the present, and so on.

Socialism, as noted above, must be consciously constructed, *and* must also be democratic: this combination makes it a difficult and complex enterprise, and capitalist sirens lure us with their song of laissez-faire: just relax and let "human nature" take its course, and accept the capitalist outcome. I believe, however (Laibman, 1999a; 1999b), that the apparent inverse tradeoff between productive efficiency and socialist goals is not immutable. Given socialist development of the sort projected in this paper (and its fellows in this issue), the tradeoff will turn into a positive relation, in which increase in the quality and democracy of work and life is necessary for further productive advance. This synergy assures that consensualization, coordination, equality and democracy, rather than polarization, disenfranchisement and instability, will result from the spontaneous activity of working people and their collectives. Socialism, not capitalism,

will then appear as the logical expression of "human nature." It will take both will and vision to get there.

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COMMENT

In line with David Laibman's admonition, with which I strongly concur, to "avoid excessive product differentiation," what I would like to do is both underline all the things in his article that I strongly agree with and feel are important to a healthy socialism, and touch on the things I think would be better done differently. Space allows for only one point to be meaningfully discussed, but I do not want to fall back to discussing only something I disagree with — that would certainly project an image of sharp product differentiation that I do not perceive. What I will do therefore is mention three things that Laibman raises that I think are essential for any healthy socialism, and then pass on to consider one thing (as part of the ongoing dialog that this project represents) that is of particular interest to me, where I think Laibman's treatment is unclear or even contradictory.

1. "Speculation and imagination are . . . absolutely essential! If we do not speculate about 'passionate possibilities,' who will?" In fact, this is the method of any science, the method of any attempt by humans to understand the physical or social worlds they operate in. Many Marxists have, under the influence of several remarks Marx made during his lifetime, erred in this regard, and I would argue the movement to win people over to supporting a vision of socialism as the way forward for humanity has suffered because of this (along with many other problems!). To be sure, "speculation can become abstract and distant from really existing political and social movements" and therefore useless as a contributor to human progress. But Laibman's very first point, his attack on "hurrah socialism," goes too far in this regard. Marx's visions of "freely associated producers" and the "abolition of the law of value" are exactly examples of speculating about "passionate possibilities." Yes, if one stops one's discussion by chanting these as one uses chants to ward off the evil eye, that is useless. Today's challenge is to work with the best visions from the past (and add some of our own), and indicate how they could really function: "operationalize" them. But we certainly don't want to bend to the defenders of the status quo by labeling desirable concepts as "utopian" or "hurrah socialism." Flying was a great dream for humans for centuries before it was realized, and that dream was essential to its realization.

2. Democratic Coordination is the alternative to markets, not simply "planning" or even "democratic planning." On the one hand, this includes the point that has been central to all healthy visions of socialism from Marx (and before) to the present, that democracy is an essential part of socialism. Given the broad misconception of socialism that has been consciously

created in capitalist countries by defenders of capitalism, this point must be made again and again. But beyond that, this calls attention to the fact that markets do much more than plan, and to replace them all their functions will have to be replaced by conscious human decision making.

3. The "centralization versus decentralization" debate has been largely off target. Both are necessary, each where appropriate. The degree of centralization will be determined by the economic task being considered, and in particular, by the need for specific local knowledge versus the need for broad social coordination. This really should be obvious, in that even capitalism deals with the same issue (in its usual "anarchistic," that is, market, way): some industries are highly decentralized (*e.g.*, the production and distribution of fresh vegetables), while others are highly centralized (*e.g.*, automobile production).

4. The use of prices and quantitative targets in Laibman's model seems to me either inconsistent or at least unclear. On the price side, he starts with the proposition that "a general, baseline set of prices must be calculated." Then, because "products have style and custom elements . . . the price set for a generic, representative good would be subject to modification and variation around the baseline, on the basis of cost differentiations." Laibman does not say so, but presumably the generic baseline price is also set on the basis of costs for the whole group, or the "average good," to which the baseline price applies. Connected to this, the firm has profit rate maximizing as one of its goals: it has others, but here we are only concerned that a firm will want to maximize profit rates as long as this does not mean infringing on other goals such as concern with levels of pollution, relating to the communities in which they work, and so on.

There are two basic problems or unclear issues here.

i) First, Laibman does not make clear who sets the price. If it is really set according to costs, it does not matter. But if the firm is trying to maximize its rate of profit and it declares what its costs are, there is a clear incentive problem. Of course, one could have extensive auditing, but clever producers would not find it hard to pad costs to comply with whatever auditing occurred. Profit maximizing by local firms is the key to market socialism, which Laibman rejects, but here he appears to adopt one of its central structures, and just like them, he does it in the name of incentives for workers to work.

ii) On the other hand, if prices really are set according to costs, then the only way for markets to clear (and not to do so is outright wasteful) is for enterprises to be given quantitative targets. Laibman's discussion on this is unclear. He says that it is not necessary that "the exact assortment of output . . . must be previsioned in time" and that with modern informatics "enterprises continually adjust their output assortment . . . to changing conditions." What goal determines their selection of output? Do they do so in

pursuit of profits (recalling they get a share of profits for themselves)? If so, they could change out of one line to another to get higher profits, and all hope of socially supplying the amount demanded ends. Or they could be highly restricted as to what changes they could make. But there is a tradeoff: the more restricted the less local knowledge enters and the closer one is to the old quantity planning that did not work, while the less restricted the further you will get from market clearing with fixed prices. One cannot have it both ways, and then claim to have both flexibility and social coordination, as in the frame Laibman proposes.

Al Campbell

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COMMENT

David Laibman's contribution evokes the possibilities of a democratic socialist system while implicitly criticizing the claims of free market defenders. I will comment on three points in his essay which I believe contain important insights about the construction of socialist models, followed by three points that I find problematic.

First, he depicts a system of "democratic coordination" that blends central and "decentral" (local and enterprise level) decision making. Current information technology makes possible rapid and rich communication among levels of the system, so that local decisions are informed by central decisions and *vice versa*. A key feature of such a system is that important social goals, such as environmental protection and pursuit of gender equity, can be built into the reward structure facing lower-level economic decision makers, rather than relying on the state to clean up after the disasters that issue from atomistic market-based decisions.

Second, Laibman's democratic coordination system allows a policy of relatively stable benchmark prices. While neoclassical theorists assume flexible prices are desirable, Laibman notes the problems caused by constantly varying prices. Anyone who has tried to rationally plan air travel in today's deregulated market, where prices can rise or fall dramatically in an hour, immediately learns this lesson. The costs can be enormous when wide swings occur in prices that influence long-term investment decisions, such as energy prices.

Third is Laibman's plea to learn from the Soviet experience. Anyone who seriously grapples with the problem of how to structure a socialist system cannot ignore the decades of analysis, debate, and experimentation in the USSR, within a system where the goal was to consciously coordinate economic activity without relying on market forces or pursuit of profit. The departures from a desirable and ultimately viable model of socialism in the USSR limit, but do not erase, the relevance of that experience.

On the other side of the ledger, I have doubts about the wisdom of seeking to analyze the economic mechanism of socialism, not as a finished product, but as a process, or series of stages. Actual socialism is bound to change and evolve through various stages, but Laibman wisely ignores his own advice in his essay and paints a picture of a mature socialism. The problem is that building socialism theoretically is a different enterprise from building it in practice.

At this stage, the primary purpose of constructing models of a socialist economy is to help rebuild the socialist movement, not (yet) to build a socialist system. The movement has lost its vision of a socialist future, and that vision must be reconstructed. Toward that end, it is reasonable and necessary to talk about how a socialist economy might work. But it is overreaching to think that one can say much about the stages through which a socialist system, once initially established, would develop. It is simply too complex, and dependent on too many contingent and currently unknowable factors, to speculate about evolution within the future socialist era in advance.

A second problem is the intrusion, around the edges of Laibman's essay, of the concept of "optimization." He suggests that atomistic contract search would not produce "an optimal pattern" of outcomes, while intervention by the center in enterprise plans can prevent "significant deviation from an optimal regime." Unlike in neoclassical theory, here the desired outcome is not an optimum in the technical sense but a reasonable combining and compromising of various individual and social interests. Central intervention is justified when a local decision threatens to violate some interest not represented in the local enterprise leadership. There is no way to "optimally" balance, say, an enterprise interest in producing cheaply with a downwind community's interest in not having its air polluted by the enterprise's emissions. Unless one thinks an "objective" price tag can be placed on human health, such conflicts of interest must be worked out based on a political process that writes environmental regulations and/or anti-pollution incentives for enterprise decision makers.

Third, Laibman rejects the applicability of the concept of "planning" to the short-run economic coordination process, referring to "democratic coordination" rather than "democratic planning." He suggests that planning properly refers only to "projecting and shaping the society's future."

What could it mean when Marx and Engels describe capitalist production as "unplanned"? Each capitalist has a plan for the production of certain products using certain inputs, yet capitalism is not a planned economy for two reasons. First, since each capitalist pursues his/her plan in ignorance of the intentions of the others, the *ex post* coordination of their actions by the market is unlikely to fulfill the plan of any individual capitalist. Second, each capitalist's plan is formed based on individual self-interest, so that the overall outcome, while partially reflecting the interests of individual capitalists, fails to embody at all the needs of the non-capitalist majority, who lack the ability to make and carry out plans that would serve their interests.

The "democratic coordination" that Laibman describes embodies a process of planning, in the sense in which that term has been used in the Marxist tradition. First, the rapid flow of information up and down the structure is meant to achieve *ex ante* coordination — the lower level units are able to actually carry out their plans. Second, as was noted above, enterprise decision-making incentives are designed to incorporate the full range of social interests in the activities of the enterprise. Thus, all groups in society participate in determining the use of currently available resources.

One can legitimately regard the outcome of this coordination process as planned, in that individual plans are not only fulfilled but emerge from a conscious, cooperative social effort, rather than as the unforeseen outcome of the clashing interests of a small part of society. While planning in this sense would characterize long-run economic decisions, it would apply no less to short-run ones. Indeed, the planned character of the short-run allocation decision makes possible the planned outcome of the long-run decision. Human beings can only plan their future if they can plan their present.

David M. Kotz

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REPLY

I will touch briefly on five issues: stages, optimization, and planning (raised by David Kotz); prices and hurrah socialism (raised by Al Campbell). This discussion must surely continue.

Stages. I agree with Kotz that no one can lay out in advance the development trajectory of a future historical ("really existing") socialist economy;

nor should we try to do that. My point in urging us all to think about socialism in stage-conscious terms — to think "stadially" — is to remember that socialism is a *process*; that its most salient characteristics at any moment are determined by levels of development (of production, of social relations, and of consciousness). Kotz suggests that I fudge this point by concentrating on the features of a mature socialism. My essay, however, is a short version of a longer one entitled "Contours of the *Maturing* Socialist Economy" (Laibman, forthcoming; emphasis added). (The gerund is a singularly dialectical grammatical form.) Marx's distinction between lower and higher phases of communism may be cited here as a model. One wants not to lay out some arbitrary sequence of metaphyscially imposed "stages" (a la Fourier, *e.g.*), but rather to identify certain key features that appear in a determinate developmental order. That way we will not find ourselves imposing higher-stage elements on our conception, without addressing the foundation-laying process that makes those elements possible and necessary.

Optimization. Optimization is simply too important to be left to the capitalists. We are not talking about possessive-individualist, unprincipled, atomistic, zero-sum optimization, but rather about finding the best, most human needs–fulfilling use of our collectively owned resources (and yes, we — human beings — are the "owners" of the natural conditions of life on planet Earth, in the sense of the responsible guardians of that legacy) and of our labor and the products of past labor. Of course, optimization in this sense requires delicate weighing of opposed interests (the pollution example), and we should not expect some clever formula to crank out "the answer." (Both formulas and markets can serve as escapes from political and moral responsibility.) But neither should we shy away from optimization as a general principle and guide. Working people will expect no less from anyone who proposes to organize the care and management of their wealth.

Planning. My proposal to replace "planning" with "coordination" when determination of current production and distribution is meant, and to reserve "planning" for the longer term process of shaping the path of social and technical development, was intended only to move beyond the rigidity of the "annual plan" conception in 20th century socialist practice. The Soviet plan, once determined with iterative input at several levels, was approved by a central body and then acquired "force of law." It specified in detail an enterprise's output assortment, techniques of production, detailed line budgets, etc. "Coordination" suggests, to the contrary, an ongoing process, in which output targets and techniques can be flexibly adapted to changing conditions. This is clearly still "planning," in the sense that conscious prevision and intentionality replace blind anarchy as the coordinating principle. I don't think there is a substantive difference here.

Prices. This is a complex subject, and not much can be said about it in a paragraph. The contradiction that Al Campbell notices is, I would argue, not in my model but in socialist reality, and must be embraced; it is not a fatal flaw, but a dialectical contradiction, to be acknowledged and transcended (but not "abolished"; see below on those who would "abolish" laws, contradictions, etc.). The *core structure* of prices and returns must be calculated; it cannot emerge from spontaneous market behavior. Moreover, these core prices — one might speak of the *price commanding heights* — are the basis for social evaluation, and for income formation; socialist principles reject any possibility of firms competing for sales by reducing the incomes of their members. However, as Campbell acknowledges (see also the work of Pat Devine on this), local knowledge and local specificity are real, and must be incorporated in a satisfactory socialist conception. Without allowing enterprises (units of control of specific sets of resources owned indivisibly by society as a whole but devolved to control by a particular collective of workers/managers) to redefine the general product mandate given to them — to "migrate," the way capital does, from one use-value to another — we would, I think, still want to give them the creative flexibility to make specific product innovations, adjust output quantities, *and* to apply for specific price variations for custom orders, quality and style differentials, etc. This might work in much the same way as public utilities in capitalist countries apply for rate changes; socialist enterprises would apply to public bodies for deviations from the official (calculated) prices, and would have to justify their requests. One hopes that this would take place in a more principled manner than the power-broking and log-rolling and closed-door deals of capitalist utilities and regulatory commissions! But that will be up to a very big, collective *us*.

Hurrah socialism. I must take a hard line on this one. How do phrases like "freely associated producers" and "abolition of the law of value" (here are those miraculous *abolitionists* mentioned earlier) embody *passionate possibilities* of any kind? What do these phrases mean? They are empty and meaningless. Anyone we ask to consider our vision of alternatives to the present society will see that immediately, and will not take seriously anyone who uses them. "Passionate possibilities," on the other hand, is a characteristically powerful term from Marx, combining the transcendent quality of passion with the realism of constraint (the possible). But it is not just that "chanting . . . to ward off the evil eye" is "useless"; it is worse than useless: a positive obstruction on the road to building a powerful socialist movement and a vibrant socialism.

David Laibman