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Review

FEASIBLE SOCIALISM?

A Review of Alec Nove (1991) - *The Economics of Feasible Socialism Revisited* (Second Edition) (London: Harper Collins); and
Keith Coleman (1991) - *Nationalisation: beyond the slogans* (Johannesburg: Ravan Press).

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Whilst most contemporary socialists admit the need to re-think their long-standing hostility towards market forces and the market mechanism, there is little agreement on how best to integrate *ex ante* and *ex post* forms of production and distribution. In this regard, the distinction made by Jim Tomlinson between 'market socialism' and 'socialism with markets' is helpful: the former is ultimately a socialist gloss on Hayek in which the market, rather than socialist principles, occupies centre stage; the latter an attempt to utilise the market within a framework which is (consciously) determined by traditional socialist objectives (Hindess, 1990).

Both the books under review fall under the ambit of these definitions. Nove's book, which is a revised and expanded edition of his famous analysis of *The Economics of Feasible Socialism* (1983), presents a sustained and ultimately convincing defense of a feasible socialism which can be achieved 'in the lifetime of a child already conceived, without our having to make or accept implausible assumptions about society, human beings and the economy' (1991:209) - for example the assumption of abundance; the belief that communism will be a society which is 'simple in its transparency' (Marx); the belief that it is possible (and desirable) to overcome fully the division of labour and all forms of (structurally generated) political antagonisms; and the emergence of a new socialist man (chapter 1) - whilst remaining committed to the defense of traditional socialist principles and values. Here Nove makes provision for a variety of competing forms of ownership, different sources of credit (something which he opposed in the earlier edition) and for the right to employ or sell one's labour power subject to certain democratically agreed upon limitations (chapters 4 and 5).

But Nove's text is no paean to market coordination, which he compares to 'a driver who looks out of the rear window at the road behind him' (1991:240).

Although hostile to the idea of a totally planned economy (which, as he shows in the first chapter is an impossibility in any advanced industrial country), Nove calls for the dominance of public ownership and for the extensive use of planning so as to *avoid* many of the negative aspects of commodity production, ie its inability to internalise externalities, the irrationalities associated with *ex post* verification, and the fact that markets are disproportionately influenced by signals generated by the rich and the powerful. Although tolerant of a clearly demarcated 'private' sector outside the ambit of any direct 'public' control, Nove argues that once such concerns reach a certain size they should be forced to convert to socialised or co-operatively owned enterprises. It is in this sense, as Adam Przeworski notes, that Nove's version of socialism can be distinguished from arguments for a 'mixed economy' (Przeworski, 1991), and in which his work can be described as a plea for 'socialism with markets'.

Coleman's book, by contrast, is focused more narrowly on the nationalisation debate in South Africa. After outlining the various arguments in favour of nationalisation, and discussing the experience of nationalisation around the world, Coleman defends an approach to nationalisation which focuses on the 'commanding heights' of the economy, and which prioritises strategically selected targets rather than whole industries. These, Coleman maintains, should be run in a democratic rather than commandist style, and should operate within the context of a market economy. By selective purchasing key shares at 'declared tax value' rather than 'full market value', and by linking this to other sources of (largely deferred) financing, Coleman argues that this is both economically affordable and likely to favour the poor and the powerless in a future South Africa. Unlike Nove, however, Coleman is not concerned to prevent people from turning profits into capital. Instead, his analysis makes the pursuit of profits its motive force.

Like Nove, Coleman defends aspects of the market *mechanism*. As he puts it, 'the market provides signals, incentives. It stimulates cost reduction and adaptation to technological change' (1991:4). Market controls are 'irreplaceable in developing efficiency and effectiveness', and should be 'enhanced where possible, and their negative effects mitigated in other ways' (1991:134). On a more negative note, both writers would agree that markets do not 'show the "optimal growth path or automatically generate socially attractive institutions." Some needs are not market based: education, health, welfare, street lighting, urban public transport, sewers' (Coleman, 1991:4). Both authors, however, focus almost exclusively on the producers, and ignore the role of household relations and the production/reproduction of labour power (Elson, 1988).

Whilst both authors want to use market forces to decentralise decision making, and to provide a mechanism through which to facilitate information flows

between producers and consumers, the extent to which they are prepared to tolerate market forces differs. In Coleman's view, governments should confine themselves to determining 'the constraints within which the market operates', and should 'stay away from functional decisions' (1991:137). The state should act as the caretaker of the market rather than an active player in the game. For his part, Nove would agree with much of Coleman's analysis, even the need to subject (some) state enterprises to hard budget restraints. However, Nove argues that it is first necessary to define precisely what we mean by state enterprise, and other forms of non-private enterprises, *before* we can begin to discuss the specific relationship between markets and plans. Certain types of enterprises can, and should, be removed completely from the sphere of market relations, and should not be subject to direct control by either the workforce or the consumer. These, Nove continues, would be industries with substantial economies of scale, possibilities of cross-subsidisation, elements of system, and those which have substantial external effects: for example, heavy chemicals and electricity supply (ironically one of the examples used by Coleman to demonstrate the possibility of state enterprises operating in a market environment). They would also include, and here Coleman would agree, those sectors responsible for the provision of essential services, ie education and health. The reason for these distinctions relates to the nature of the information required to run these industries, and to the place where this information is best located. Readily plannable, and in homogenous units, electricity can quite easily be provided outside of a market environment. However, because of the external effects involved, they should not be subject to direct control by the (particular interests of) the workforce.

Other industries involve the making of decisions which are best taken at an industry or plant level. These would be suitable for other forms of (less commandist) types of public ownership, ie socialised enterprises and cooperatives, with varying degrees of state supervision and control. In these cases it would be feasible for the workforce to control the industries themselves, ie to set prices, employ management and compete with other industries, and they would not necessarily be protected by soft-budget constraints (Nove, 1991:210-25). In this sense, then, Nove foresees a far greater role for the state than does Coleman.

Throughout the book Coleman refers to the need to democratise decision making, and draws a stark contrast between 'commandist' or top-down planning and democratic 'central planning'. But here the argument is specious, and is dependent on the commitment of leaders of the union movement and the SACP to democratise the operation of nationalised industries and of planning (1991:131), as opposed to a demonstration that it is possible to manage these industries democratically in the first place. By repeating the slogan, Coleman begs the very sorts of question asked by Nove, ie is the information of a sort that

can be processed centrally, or should it be located at the plant level? This impacts directly on the type of social ownership with which we are dealing, and on our thinking on the nature of a democratically managed economy.

Coleman's treatment of the nationalisation debate is also marred by his construal of classical marxist theory. Contrary to the way in which he presents the debate, and the misleading quote from Lenin which he uses to support his argument, the classical marxists did not always treat nationalisation as a key (or independent) 'moment' in the transition to socialism. For the most part, they saw nationalisation as the culmination of fundamental changes in the relations of production which had already occurred under capitalism; in the Marx of *Capital*, the socialisation of the productive forces and the extrusion of the bourgeoisie from the productive process. By privileging the formal transfer of ownership, Coleman gives undue weight to a Machiavellian reading of historical materialism. As a result, his analysis is governed by the assumption that the 'socialisation' of relations of production is dependent on a *prior* transfer of ownership (1991:68), and he is unable to grasp the radical implications of certain types of share ownership schemes, like the original version of the Meidner Plan in Sweden, which promised fundamentally to undermine capitalist control over the labour process prior to the transfer of ownership. The technocratic solutions offered by Coleman tend to underestimate the efficacy of capitalist relations of production, and do not seem to envisage a radical change in the mode of production itself. For example, when faced with the question of how best to ensure the accountability of management, Coleman argues that the government should withdraw from active intervention in the market in the short run and begin to train new managers in order to lower the price of management in the long run: 'Since competent management would no longer be in short supply they could no longer make excessive demands' (1991:104). The problems of the class interests of these new managers, or the ability of the old managers to block the entry of new managers, is subordinated to a debate on the relative scarcity of supply. This is precisely the kind of policy which Tomlinson has called 'market socialist'.

This said, Coleman's book remains an invaluable contribution to our understanding of the options available to a democratically elected pro-labour government. By showing that nationalisation is affordable, and that it will not send South Africa down the *Road to Serfdom* so confidently predicted by the captains of industry, Coleman has made a real contribution to the debate on a future economic policy. Nove's book, although written at a far higher level of abstraction, and with the requirements of a developed rather than a developing country in mind, is equally relevant to the contemporary debate, and justly deserves to be regarded as the most intelligent and sophisticated contemporary defense of socialism.

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