



The Myth of Market Socialism

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There are occasions when the crisis of an existing system of exploitation can produce a corresponding ideological crisis among those who would oppose it. This happened, for instance, when the imperialist division of the world between the great capitalist powers gave way to war in 1914. All the old certainties which underpinned the peaceful, reforming activities of the major socialist organisations were thrown into disarray. Opponents of the system suddenly became its ardent defenders.

Old uncertainties have again been challenged in the last decade with the spread of economic crisis from the advanced capitalist countries to economies in Eastern Europe and the Third World. Reality has rained harsh blows on those who identified socialism with state capitalist reform. Social Democratic planning proved unable to cope, either in the

Britain of Wilson and Callaghan or in France during Mitterrand's first governments. Stalinist 'planning' gave way to economic and political turmoil in Poland, China and, finally, the USSR itself. Many of those argued, year in year out, for 'alternative economic strategies', for 'control of the commanding heights' and for the alleged economic superiority of the: 'socialist third of the world' (or, at least, the 'degenerated and deformed workers states') have now accepted the oldest of the pro-capitalist arguments 'socialism cannot work'.

Of course the argument is not always put that way. The Gorbachevs and the Jaruzelskis want to retain talk of socialism. It makes them look as if they are after more than intensified exploitation and it confuses their working class opponents. The Mitterrands, the Gonzaleses and the Kinnocks are certainly reluctant to drop bits of rhetoric that help them avoid a complete break with the working class organisations that deliver votes for them. **Marxism Today** would lose whatever appeal it has to many aging ex-68ers if it called itself **Capitalism Today**. It is much easier to talk of combining socialism and the market.

All of them, then, should be grateful to Alec Nove, the Glasgow based Russia expert. The idea that the market, and only the market, enables the production and distribution of goods to take place in a rational, non-wasteful, non-bureaucratic manner is not new. But Nove's book **The Economics of Feasible Socialism**, first published in 1983, is the most recent, coherent formulation of the case. It has received fulsome praise in the East and West alike. Typical is a review by the exiled Polish economist (and one time architect of schemes for economic reform) Wlodzimierz Brus: '**The Economics of Feasible Socialism** is an important landmark in contemporary writing on socialism.'

Nove's arguments

Nove's method is to pick up arguments from a variety of different, often contradictory, theoretical standpoints and to combine them into a single onslaught on the ideas of those of us who believe that democratic planning of social production is possible. So there is the claim, reminiscent of patriarchy theory, that gender differences and racial antagonisms are not 'reducible' to class; there is the assertion, based upon neo-classical economic theory, that Marx's theory of value is useless because it doesn't allow you to quantify use values; there is the old argument that because it is not possible strictly to delimit the boundaries between different classes, that it is wrong to talk, East or West, of a 'ruling class'.

But, most of all, his case rests on two central contentions. The first is that the sheer complexity of modern industrial society makes it impossible to replace the market by democratic planning: [2]

Marxists have vastly underestimated the complexities of centralised planning. [3]

Modern production is complex, integrated. Unless it is integrated it will disintegrate. The task of ensuring integration and coordination – the task of planning – is a difficult and responsible one. It is unlikely that anyone can just take his or her turn at doing it, in between driving heavy lorries or filling teeth. Planners must specialise, be professionally competent people, as indeed, must be managers of a production unit ...

There must be some responsibility. With this must go some authority, for how can one be held responsible for actions by persons over whom one has not control? ... [4]

In a complex industrial economy the interrelation between its parts can be based in principle either on freely chosen negotiated contracts, or on a system of binding instructions from head office. There is no third way.

This, insists Nove, means that the alternative to the market is necessarily an authoritarian one. A democratic alternative is not possible.

One requires a complex bureaucratic structure to take a multitude of interconnected decisions which, of their nature, are not a matter for democratic voting. In no society can an elected assembly decide by 115 votes to 73 where to allocate ten tonnes of leather or whether to produce another 100 tonnes of sulphuric acid.

Subordination is the point, and it is this which always presents dangers: authority can be abused, authority most certainly has been abused. [5]

It is the assumption of the 'fundamentalist' that society (or the associated producers) will know what it is best to do and choose accordingly ... My task is simply to assert... there would be no way in which the general good ... could be operationally defined ... [6]

It is not a matter of selfishness, of 'human nature' but of information, and of information which cannot in fact be provided: it is like trying to discover the opportunity cost of a research grant.

It is impossible, Nove argues, for a planned society to have decentralised decision making.

The assertion that 'society' deliberately decides about needs and how to provide for them, makes it hard even to conceive of decentralization, except in so far as this relates to the details of implementation. Who or what institution, except at the centre, can consider the needs of the whole society? ... How could the

production unit know for whom to produce, what to produce, when to produce it, how to obtain its inputs (and from where) unless the planners decide and inform? [7]

What Nove calls ‘externalities’ – the impact of one decision taken in one part of the economy on what is possible elsewhere – rules out the possibility of the immediate producers being able to control their own labour in a non-alienated manner.

Externalities arise not because of separation of ownership, but because of separation of decision making units. Even in a university room allocation or timetable changes by one faculty office can have deleterious effects on students in other faculties, effects which are external to the faculty in question. What is taken into account depends on the area of responsibility of the decision maker. [8]

But this is not the end of the matter. Authoritarian central planning itself cannot cope with the task it sets itself without running into enormous problems. ‘Given the magnitude and complexity of the task of planning and managing a modern industrial economy, it is inevitable that the task be divided between different offices, departments, ministries, regions, and so on.’ [9] The result, claims Nove, is that instead of planning according to a single will, you will inevitably end up with organised chaos, as different ‘planners’ push out contradictory instructions and battle with each other to get them fulfilled. This must lead to continual shortages and planning failures, unless there is a deliberate adoption of what is usually considered one of the most wasteful and inhuman features of capitalism, unemployment.

Shortage means that individuals (factory managers or consumers) with a legitimate claim on resources cannot obtain what they want or need ... Full employment must entail shortage. This is a consequence of (inevitably) imperfect foresight. Unless one assumes a static economy, there is bound to be change: in tastes, techniques, preferences. At microeconomic levels these cannot be precisely foreseen... So we may be sure that even if macro equilibrium exists between requirements and resources, there would be some shortages, which because of full employment, cannot be speedily made good.

The inability of those running the centralised planning system to know in detail what is happening on the ground, in each different part of the economy, necessarily makes it impossible for them to arrive at a rational pricing structure, for they have no way of knowing what the minimal costs of production would be if the most efficient methods were used or of making prices correspond to these. This in turn makes it impossible for them to plan future production on a rational basis.

What is more, says Nove, if the prices enterprises receive for their goods do not correspond to the real costs of production, then there is no incentive for managers to encourage innovation, the use of new techniques. When new investment takes place it will tend to be extravagant in its use of resources. Without the market there can be no rational use of capital resources, just as there can be no rational pricing system. Finally, such centralised planning necessarily results in poor quality output:

The Marxist tradition is one of *quantitative* planning ... The point is that, apart from the sheer impossibility of the centre handling detailed specifications, quality is by no means easy to

define. It is something specific ... in fact, value in use, valued by the user ... [10]

There is a need to distinguish things like water or electricity, which are homogeneous and readily 'plannable' from

those products which come in hundreds or thousands of variants: clothes, instruments and implements, vegetables, and so on. It is the beginning of wisdom to realise the centre cannot plan these 'quantitatively' in any meaningful microeconomic sense. Plans in tonnes or square metres are plainly too crude to encompass the literally millions of varieties and versions of products with use values that exist ...

If a plan is expressed in aggregate quantities, the product mix that 'fits' such a plan (in tonnes, square metres, or for that matter, value in money terms) will not, save by accident, be the mix that is actually needed.

Nove's second main argument, used at every point to back up the first, is that the experience of the Russian economy is proof that centralised planning must be both bureaucratic and wasteful. So he writes that 'Most of the major problems now plaguing the Soviet economy' [11] are proof that the complex modern economy is unamenable to centralised direction, that 'the Soviet centralised planning mechanism finds itself overwhelmed by these tasks and numerous unintended distortions and disproportions', that 'Soviet experience underlines both the necessity and the dangers of a multiplicity of plan targets in a non-market economy' [12], and that 'Soviet experience is decisive' in proving the impossibility of achieving high levels of quality by planning.

For him the USSR and Eastern Europe are ‘actually existing socialism’. Any other model of socialism is a ‘utopia’ which has never existed and which, therefore, cannot be used to provide arguments against the market. Again and again, his retort to ‘fundamentalist’ Marxists who talk of other such models is to produce examples of what happens in the USSR. His reasoning is that the waste and inefficiency in the USSR is a result of an attempt to plan an economy by breaking with the market and commodity production, not the response of a bureaucratic ruling group to particular historical circumstances. As such, the faults in the economy are traceable to the very project of planning. Indeed, they go back to Karl Marx himself and his definition of value. Marx’s ‘overemphasis on the primacy of production contributed to the neglect of consumer needs in actually existing socialism’ [13], that is why Marxism ‘only sees things in terms of quantity, not in terms of what is better than another.’ [14]

The missing argument

The bulk of Nove’s book is dominated by these negative arguments against the possibility of rational planning and about the irrationality of the Russian economy. Much less space is given to a third argument which would be necessary if his case were to be as devastating as he clearly thinks it is – the argument that the market provides a non-authoritarian means of relating different acts of production and consumption.

This argument is usually assumed rather than explicitly stated. Rarely does Nove spell out the assumption in a form

which would open it up for debate. This is no accident for the argument contains a central, logical flaw. To see how, it is necessary to fill the gap in Nove's own reasoning, to make explicit the assumption which he takes for granted.

It goes like this: People's consumption determines how production takes place in a market based system. The prices they are prepared to pay for goods act as signals which tell individual firms what to produce and what not to produce. This in turn lets them know where to invest and how many workers they should employ.

If too much of any particular product is being turned out, then prices will fall and firms will switch to producing something else. If too few of a particular good is produced, prices will rise and so, therefore, will output. In this way supply and demand continually come together to ensure the unplanned co-ordination of the activities of thousands of firms and millions of workers.

This assumption underlies all of Nove's arguments. He claims to be critical of certain of the aspects of the working of western capitalism and that he does not accept the neo-classical model of the market in its entirety. [15] Yet it is this model which he relies on every time he wants something to contrast with what he claims must be the bureaucratic muddle involved in socialist planning. So he insists that the market provides a 'link – imperfect, no doubt, but still a link – between effort and result, between the quantity of labour power utilised and the use value it produces...' Where this 'link' exists, firms will produce what people need, even if their motivation is pure profit. And they will do so using any new technique which cuts production costs and improves quality.

A Western profit making firm will decide to develop or use whatever it believes to be profitable, whether it is a button holing machine, a gramophone turntable or a machine for

putting tops on bottles. In the USSR the preference for the grandiose and neglect of 'minor' matters springs from lack of clear criteria for decision making ...

Price 'signals' and capitalist production

So Nove takes over from neo-classical economics the central notion that 'price signals' lead firms to produce what people need. But the notion itself contains a fundamental flaw – as Marx pointed out more than a century ago in his comments on Ricardo's writings. [16] Production is always a process taking place in time. 'Price signals' do not tell you what *will* be wanted when production is finished, but what *was* wanted before it began.

This time factor creates immense problems, even with the simplest forms of commodity production like the growing of grain by a mass of small farmers. If there is bad weather one year and the crop suffers, then prices do indeed rise. This cannot, however, cause more production of grain that year. In the real world (as opposed to the world of the market theorists) the farmers have to wait until the following spring to sow their next crop. They may respond to 'price signals' by sowing a bigger area than previously. But unless, by coincidence, one year of bad weather is followed by a second such year, the only result will be to produce more grain than consumers demand.

Such 'cycles' of rising and falling output have always bedevilled markets in foodstuffs. However much people like Nove choose to ignore them, these markets have always *failed* to coordinate in an efficient way what is produced with what is needed in an efficient way – unless you accept

as 'efficient' an alternation of high prices which cause many poor 'consumers' to go hungry and low prices which cause many farmers to go bust.

The cycles do not go away when you move from a world of small commodity producers to one of giant capitalist firms. In fact they get worse. Industrial production does not begin just a few months ahead of final consumption. It depends upon making a huge investment in fixed capital, on building factories and installing machinery over several years. Since there is a 'free market' there can be no coordination between rival firms. So, invariably rival producers respond to the 'signals' of high prices by undertaking these long term investments all at the same time.

For a period, the mass of rival producers are all chasing each other to get hold of hundreds of different raw materials, hundreds of thousands of different components, millions of workers with a wide range of skills. Prices rise all round, encouraging more people and more firms to join in the chase. Then, suddenly, the new investments come on stream, turning out more goods than are needed and throwing the whole economy into a crisis of overproduction. If an equilibrium is eventually reached between production and consumption, it is not by a smooth, efficient, frictionless, painless fitting of supply and demand, but by a violent convulsion which ruins large numbers of peoples lives and which lays waste to vast stocks of potentially productive plant and equipment. And, in the process, massive numbers of people are subject to wage cuts and redundancies that deny them any participation in the world of 'consumer choice'.

Nove himself half admits that things are not nearly as smooth under commodity production as market theory implies:

In a sense, decisions, even in a capitalist market economy, are made as a result of *ex ante* [i.e. prior – *CH*] calculations ... Any large scale investment decision is complicated by the time factor: the gap between taking the decision and completion of the investment project may be five or six years, and the capital assets may last another twenty years or more. New techniques, changes in taste, investment decisions taken by others, could upset the forecast upon which the original decision rested. The result could be excess capacity or insufficient capacity, in relation to needs.

Today's prices are a poor guide to relative scarcities in six years time. [17]

Nove's admission is a devastating blow to his whole case. He is admitting that capitalism does *not* have, at any point in time, a rational price structure, that there are always enormous discrepancies between the prices which firms use to 'cost' the different factors with which they begin production and the prices which prevail throughout the system as a whole when finished goods are eventually put up for sale. The price 'signals' so central to Nove's case are, in fact, systematically misleading signals. It is not, perhaps, surprising that instead of exploring the implications of this admission, Nove proceeds as if he had never made it!

Supply, demand and crises

Nove might, perhaps, argue that his case does not depend on firms being able to calculate rationally how to cost production in advance, but on the market

leading to a smooth adjustment of supply and demand after the event, 'overproduced' goods fall in price and 'under produced goods' rise in price, in a relatively frictionless way.

This would be to rely on some variant of Say's law – the contention that the supply of goods always creates its own demand so preventing huge discrepancies between the two. But Nove is too good a debater to admit this openly: he may be ignorant of Marx's devastating refutation of that law [18] but he knows the mauling it got 60 years after Marx at the hands of Keynes and his school. [19] Any honest account of the market system must admit that the adjustment has often been far from smooth.

In the nineteenth century, hundreds of thousands of handloom weavers were driven into destitution as the sudden rise of machine production reduced the prices they could get for their output. A million Irish peasants died of starvation because the failure of the potato crop meant they could not pay their rents. Such phenomena forced even the classical bourgeois political economist Ricardo to temper his acceptance Say's law, admitting that the adjustment of supply and demand could lead to crises in particular sectors of industry. [20]

But it has not only been in particular sectors that Say's law has failed. The history of capitalism has also been a history of general crises, affecting all sectors. In the nineteenth century, there were cyclical crises every ten years or so which led to the sudden closing down of large numbers of plants, price reductions that ruined many farmers and entrepreneurs and increases in unemployment from around 2 percent to around 10 percent.

In the 1870s and 1880s such crises could reach such an intensity that the leading US steel magnate, Andrew

Carnegie, complained that:

Manufacturers ... see savings of many years ... becoming less and less, with no hope of a change in the situation ... The manufacturers are in the position of patients that have tried in vain every doctor of the regular school for years, and are now liable to become the victim of any quack that appears. [21]

The crisis of the inter-war years was even more devastating. Three years after the crisis started, industrial production in the US, Germany, Britain and France was still declining. Unemployment world wide had leapt from about 10 million in 1929 to 40 million in 1932. In the US at one point nearly a third of the workforce were on the dole. In Germany there were six million unemployed by January 1933. In Britain the figure briefly rose above 20 percent. World trade fell catastrophically to a third of its 1929 level. In the US production did not reach its 1929 figure until 1937, then to be cut for a further three years by another slump. [22] In the end, it was not the 'adjustment' of production to price levels which ended the crisis, but preparation for war. As Kenneth Galbraith has noted, 'The great depression of the thirties never came to an end. It merely disappeared in the great mobilisation of the forties'. [23]

In the last fifteen years we have, of course, entered a new period of crisis in the West. Again 'adjustment' has been far from smooth. Two big recessions, in 1974–76 and 1980–82, increased unemployment in the advanced countries about fourfold and reduced world output to about a third of what it would have been had growth rates remained at the 1950–73 level. The phase of 'recovery' since has by no means

obliterated the damage done in those years. In the advanced countries many of the steel workers, oil refineries, car plants and machine tool factories remain closed. As an article in the **Wall Street Journal** recently told:

To understand Big Steel's revival in the US – and its dilemma – take a half hour drive along the Monagahela River, past the four sprawling mills built by USX Corp.

Two that once dominated this landscape – the Duquesne Works and the National Works – are rusting hulks, shuttered reminders of the industry's depression, which cost 40,000 valley workers their jobs earlier in this decade ... [24]

The scale of waste involved in the adjustment can hardly be overstated. For instance, the British steel industry was transformed by massive new investments in the early and mid-1970s. The aim was to produce 32 million tonnes of steel a year in plants as advanced as any in the world. By the mid-1980s the price of a 'return to profitability' by the industry was the closing down of half this new capacity, so as to produce no more than 12 to 16 million tonnes a year. In the US there were even cases of 'technological regression'. Firms closed down the large, expensive, technologically advanced plants built in the 1970s and instead concentrated production in older plants which, because smaller, were cheaper to run at low levels of output. [25]

Such facts make nonsense of any claim that the market provides for a rational allocation of investment and an automatic spur to innovation. A situation can, in fact arise, in which not investing can prove to be more profitable than investing. For example, late in 1988 Ford was doing much

better in the American market than its bigger rival, General Motors. [26] This success is due to the fact that the weak state of the company in the early 1980s did not allow it to make the investments in the small, fuel efficient cars that all industry's experts thought necessary. They had not foreseen that the anarchy of the market could lead to a fall in oil prices and a rise in demand for big cars.

Ford's good fortune stems from luck as well as skill ... Only Ford's poverty in the early 1980s kept it from downsizing several aging models that appeared headed for extinction three years ago. Now, to Ford's surprise and delight, those cars have rebound in popularity. It recently earmarked \$50 million to patch up the 70 year old Mustang assembly plant, both plant and car had been scheduled to die.

'Lots of voices at Ford said, "Get rid of the Town Car and Mercury marques because those dinosaurs are going to sink in the swamp",' recalls Robert A. Lutz, an executive vice president of Ford until two years ago ... 'So it wasn't all terrific foresight.' [27]

This experience means that even now, when its sales and profits are booming, Ford is not prepared to undertake massive investments. Its president, Donald E. Petersen insists, 'My argument is that what's called a conservative game plan has proved to be a very winning formula for this company.' [28] And the **Wall Street Journal** notes, 'Beside avoiding construction of new factories for fear they might one day stand idle, Ford has yet to make an oft promised major acquisition despite a \$10 billion cash hoard that may be a US corporate record.' [29]

If such things have been happening in the most advanced parts of the system, the impact of 'adjustment' of supply and demand through crisis has been catastrophic for many of

those who live in the less industrialised parts. The mass of the people in raw material producing countries from Chile and Bolivia to Zambia and Zaire have suffered enormously as a result of years of low commodity prices, with the result that average output per head is considerably lower today in both African and Latin America than it was 10 years ago: Big 'new industrialising countries' like Mexico and Brazil which borrowed massively to sustain growth and break into world markets in the mid-1970s now face debt repayments which swallow all their export earnings. Famine stalks whole countries as peasant farmers find it impossible to earn a living from their crops any more. [30]

None of these failures are simply minor aberrations in a basically healthy system. They follow from the very character of the system itself. By definition, it is a system in which there is no overall coordination of investment decisions, in which the labour of those working within the different units of the system is only coordinated together after it has been performed, through the life and death competition of rival capitals (individuals, firms or, for that matter, states). Under such conditions, the larger and more 'complicated' the system, the greater will be the likelihood of it entering into convulsive crises as it attempts to fit together production and consumption on a world scale.

Production and consumption

Here something else has to be said. It is not a matter, as Nove and neo-classical economists argue that what is produced may not fit with what people want to consume because 'tastes change'. The failure of production to 'fit' consumption occurs because

production itself takes place in a spasmodic way as rival capitalist concerns seek to expand into each other's markets. In doing so they also ensure that consumption itself goes through great spasms. For (and here Marx is a hundred percent right, despite Nove) the key determinant of what happens in consumption is what happens in the field of production.

A huge chunk of 'demand' is, in fact, industry's demand for means of production. The other major chunk is the demand generated by the wages and salaries of those employed in industry. When industry expands this causes an increase in both sorts of 'demand; when its fitful expansion gives way to sudden contraction, both sorts of demand decline. Consumption under capitalism only takes place when capitalists choose to invest in buying means and material of production or when they choose to take on workers. And they do these things not because they want to provide consumer satisfaction to the mass of people, but because they want to expand their own capital. Competition between capitals drives the system forward, not the choice of consumers. As Marx wrote in criticism of Nove's precursors:

In capitalist production what matters is not the immediate use value but the exchange value and, in particular, the expansion of surplus value. This is the driving motive of capitalist production, and it is a pretty conception that – in order to reason away the contradictions of capitalist production – abstracts from its very basis and depicts it as a production aiming at the direct satisfaction of the consumption of the producers. [31]

Nove completely ignores Marx's arguments on these points, although pretending, elsewhere in his book, to an understanding of **Capital**. He even ignores those

followers of Keynes who, in the 1950s and 1960s, attacked the way neo-classical theories discuss ‘the market demand for commodities, which allocated resources between uses ... in terms of the tastes of consumers, not of the distribution of purchasing power between them’. [32]

Yet if capitalist production were motivated by consumption, as Nove claims, then crises of overproduction would be impossible, for there are always human beings who would like to consume the ‘overproduced’ goods. The crises occur precisely because the motive force of the system is competitive accumulation and this forces capitalists to expand production regardless of the limits of the market. Again Marx is right and Nove wrong:

The word overproduction in itself leads to error. So long as the most urgent needs of the a large part of society are not satisfied ... there can of course be absolutely no talk of overproduction of products – in the sense that the amount of products is excessive in relation to the need for them. On the contrary, it must be said that on the basis of capitalist production there is constant underproduction in this sense. The limits to production are set by the profit of the capitalist and in no way by the needs of the producer. But overproduction of products and overproduction of commodities are two entirely different things. [33]

Incidentally, such passages in Marx refute completely Nove’s contention that Marx was only interested in production and not concerned with people’s consumption. In fact, Marx’s central criticism of capitalism was that production was not motivated by human need but by the blind drive of competitive accumulation. **Capital** is an account of capitalist

production, and therefore starts with what matters to capital itself – exchange value. But Marx’s whole point is that exchange value depends, at the end of the day, on the ability of the commodities that embody it to satisfy human need, to act as use-values. It is because capitalism has a separate logic for exchange value and use value that contradictions inevitably arise between the two and culminate in crisis.

The waste that results from such crises is massive. A rough estimate suggests that if growth rates world wide had been the same in the late 1970s and 1980s as they had been in the years 1950–73, 50 percent more goods would be being produced today than is actually the case. But there are also other sorts of waste that necessarily accompany the equalization of supply and demand through the ‘market’.

Waste production and modern capitalism

The logic of capitalism leads to large companies replacing small ones. Every recession causes some companies to go out of business. The survivors buy up their means of production, their raw materials and access to their markets and emerge from the crisis larger than they entered it. Their increased size, in turn, gives them a better chance of surviving the next crisis. The overall result is that the history of capitalism is also a history of what Marx called the ‘concentration’ of capital.

Whereas in the era of Smith, Ricardo and Marx himself, many competing firms existed in each national industry, from the 1880s onwards there has been a continuing trend towards monopolisation of major industries inside each state. By the 1950s within each country there were rarely more than four or five firms in each major industry, and in some key industries only one or two. Waves of takeovers and mergers increased the level of concentration until, by the end of the 1960s, in the US the top 200 firms were responsible for 46 percent of manufacturing output. Despite government sponsored hullabaloo about ‘small business’ on both sides of the Atlantic, the picture has not changed since. Meanwhile successive waves of mergers – like those which followed the stock market crash of October 1987 [34] – have increased enormously the level of concentration. And such figures underestimate the true scale of the phenomenon since they do not show the threads which link one major corporation to another (interlocking directorships, interdependence of manufacturing firms and banks, joint shareholdings, etc.).

The giant firms long ago learnt that they could ward off potential competitors by resorting to non-productive methods – the use of their wealth to get a tight grip over distribution outlets, the use of advertising to hype their own products, regardless of their intrinsic merits, the systematic cultivation of well-greased contacts with buyers from governmental bodies and other firms, the building up of the power of the national state to ‘protect’ and ‘break into’ differing national markets. How effective these techniques are can be seen by the difficulties new firms have in entering markets already controlled by the giants. In the US, for example, there has only been one serious attempt by a new firm to enter the auto market in the last half century – that of the previously highly successful industrialist Henry Kaiser. His car company failed miserably, despite the

technical efficiency of the vehicles it produced. He simply did not have the finance needed to take on the giants: in 1945 it was estimated it would take \$300 million to do so, by the late 1980s more than \$2 billion – and no financier was prepared to advance that much for a venture that might easily fail.

What applies in autos applies even more strongly in aerospace (where Boeing now produces 80 percent of the world's airliners), mainframe computers (where IBM holds 70 percent of the market), telecommunications (a favourite terrain for megamergers in the last couple of years), iron, steel, and oil. Non-productive expenditures have provided existing companies with the means to tighten their grip on production within each national economy in times of boom as well as recession. The development of modern capitalism has, therefore, been accompanied by the growth of huge 'non-productive' sectors. These have worked to protect individual firms from the effects of crisis – and to ward off some of the immediate symptoms of crisis in the system as whole. [35] But only at enormous cost. As early as the 1920s and 1930s advertising expenditure in the US was equal to 75 percent of manufacturing investment in plant and equipment. Distribution costs made up 59 percent of consumer prices. [36] According to one estimate, 'non productive expenditures' grew from half the total surplus value in 1919 to two thirds by the end of the 1920s. [37] A calculation by Michael Kidron, based upon a detailed sectoral breakdown of the US economy, concluded that the various forms of waste (advertising, arms, the luxury consumption of the rich amounted to 'three fifths of the work actually undertaken in 1970'. [38] More recent figures show a massive increase in one area of waste – that involved in the moving of wealth backwards and forwards between different groups of capitalists. Employment in finance, insurance and real estate in the US rose from \$3.6 million to

\$5.4 million between 1970 and 1982, a rate of growth twice as fast as that in the economy as a whole. [39] This was before the huge upsurge in financial activity in the period leading up to the stock market crash of 1987! People like Nove who quite rightly criticise the proliferation of bureaucratic penpushers and form fillers in the Eastern European states, would, if they were honest, be equally critical of the similar proliferation in the finance sectors of the ‘market’ economies.

The actually existing capitalist firm

These forms of waste production have been accompanied by something else, just as devastating to the marketeers argument – the growth of massive amounts of waste and inefficiency in the internal operations of the different companies. The argument for the market assumes that firms that do not operate efficiently will be driven out of business. But as the giant firms have developed ways of warding off the effects of crisis, so they have, necessarily, made themselves less subject to the market discipline when it comes to their own internal organisation. The result is that internal waste and inefficiency proliferate while success in holding on to markets for decades at a time is often accompanied by neglect of innovation and deliberately allowing poor quality production.

Few accounts of such phenomena – of what has been called ‘X-inefficiency’ [40] – are to be found in the writings of mainstream Western economists. Their whole approach is

based on the assumption that the market disciplines firms internally and all that needs to be discussed are the external relations between firms, their supplies and their markets (whether on a micro or a macro scale). As a result, the economic literature provides little discussion of the questions which obsess Russian economists – the waste and inefficiency within individual productive units. To find such discussion you have to look in the studies of managerial consultants concerned with increasing internal efficiency and in the often semi-journalistic writings of those who have made studies of particular industries or firms. All these sources point to a massive amount of waste and inefficiency. There is no space here to refer to more than a few of these accounts. But that should be enough to dispel any lingering, Noveite notion that under what should, perhaps, be called ‘actually existing capitalism’ the market eliminates the problems encountered in ‘actually existing socialism’.

Take, for example, American car industry as depicted in David Halberstam’s recent book, **The Reckoning**. [41] The picture which emerges could not be more different from the image preached by the official ideologists of the West and accepted by so many of the dissidents in the East – of dynamic, innovative, quality and cost conscious firms, concerned with continually tailoring production to consumers needs and with eliminating shop floor waste. On the contrary, the great American corporations are shown as coasting along for decades without innovating and without showing any concern for quality or safety.

Henry Ford made his name with the first mass produced car, the Model T – and then resisted all attempts to replace it by a more up to date model until his company was beginning to lose money in the late 1920s. It was another 15 years before his successor, Henry Ford II eventually broke the conservative opposition to innovation in the corporation.

But within a few years he was slipping back into his grandfather's ways, holding out for years against innovations like the front wheel drive car. Halberstam concentrates on Ford, but he suggests that the same was true of the two other great car companies, General Motors and Chrysler. For 30 years they resisted innovations such as the high compression engine, for many years disc brakes, radial tyres, front wheel drive and fuel injection.

Detroit ... was a place of people who had made their way up taking as few risks as possible and never letting their eyes waver from the bottom line. Innovation cost money and entailed risk, and they had little stomach for it ... The auto industry was static. Its member corporations changed hemlines every year to give the illusion of change, but in truth they were more concerned with preserving their positions than improving their products ...

Nor was the internal management structure anything like the perfectly tuned mechanism of the market mythologists. People got ahead in the companies as much on the basis of who they knew as of what they could do. Under Henry Ford I the politics was very much that of a mini totalitarian state – he had absolute control and no one was allowed to cross his path. And his old age was a Brezhnev type period, in which real power was increasingly in the hands of the thugs of his security department, led by Harry Bennet, an ex-boxer originally employed to keep unions out the plants. Under Henry Ford II there was a degree of 'pluralism', with rival 'factions' battling for the ear of the great man. This factionalism led to a situation where no one really knew what were the resources of the company. For the plant managers were

continually hiding things from their rivals and superiors.

The inner world of the plant managers was filled with secrets, and the name of the game was screw Detroit ... The managers learned to cheat Detroit to preserve the integrity of their own operation. Were the windows of the cars supposed to be subjected to a water test that stimulated a terrible storm? Vincent's men were skilled at jiggling the water gauges. Were there too many parts left over at the end of a model's life? They dumped thousands of useless parts in the nearby Delaware River. Detroit loved how little waste there was, how well the numbers matched out. When a way of speeding up the line was discovered, all this extra production was kept secret, not only from the union but from Detroit. It was all for some rainy day when Detroit came down with some impossible production quota ...

Things don't seem to have been very different in Ford's major rival, General Motors. One account tells: 'The men in power put personal loyalties from one executive to another and protection of the system above management skills'. [42] And 'In place of product innovation, the automobile industry went on a two decade marketing binge which generally offered up the same old product under the guise of something new and useful.' [43]

In Britain, as in the US, firms enjoying full markets and making enormous profits have not necessarily innovated. As one establishment economist complained in the late 1950s:

It is very hard indeed to account for the extraordinary behaviour of certain British industries. Shipbuilding is perhaps the most remarkable case of all. The striking thing is its stubborn refusal to invest ... In most years in the 1950s the amount of money spent on plant and equipment can hardly have been sufficient to cover normal wear and tear and

obsolescence ... This would have allowed nothing for development required by the new techniques of shipbuilding.

As result by the mid 1950s 'it took Japanese shipbuilders nine months to build a vessel, while the same vessel took 18 months in a British yard'. [44] But is has not only been in old established industries that the market has been accompanied by inertia, bureaucratic management and low levels of innovation.

Many of these features are to be found in the most modern industries. So for instance, the **Wall Street Journal** could recently write of the world's largest computer firm, IBM, 'The old IBM had too many layers of bureaucrats planning budgets, scoffs one executive. Too many people double checking products, declares another.' It is a 'giant, calcified institution in desperate need of structural modernisation ... Even after slashing its workforce the colossus is one of the world's most luxuriously thick bureaucracies ... IBM is hacking away at a wilderness of old based habits and inefficient processes. It is a task of almost absurdist proportions ... IBM budget planners write reports about coming reports'.

Interestingly, the **Wall Street Journal** journalists compare what is going on inside IBM with the process of *perestroika* in Russia! And, despite the ideological claims of the marketeers, quality seems likely to go out of the window in the search for profit: 'In Research Triangle Park, North Carolina, IBM eliminated the jobs of more than 100 "inspectors" who patrolled the factory floors and monitored newly built products'. [45] The IBM case is important because it shows how internal waste is a feature of the most advanced industries, for, despite the mythology, these industries are dominated by the giant firms even more so

than older industries. It is true that often innovation has come from smaller firms – as with the rash of medium sized Silicon Valley firms that developed the silicon chip and the microcomputer. But these firms have rarely been large enough to survive the convulsions of the industries in which they find themselves, leaving the giants of the industry to take advantage of the innovations they pioneered.

Far from modern capitalism encouraging the various virtues Nove identifies with the market, it can push in the opposite direction. **Financial Times** writer, John Plender, summed up a widespread view within the capitalist establishment itself of the most recent wave industrial mergers:

The present takeover boom appears to have been motivated less by the text book pursuit of a more efficient allocation of economic resources than by cruder forms of bargain hunting ...

The problem is there are no objective yardsticks to distinguish between efficient and redistributive bids. Nor is it possible to quantify the beneficial discipline exerted on management by the threat of takeover and the off setting inefficiency that arises when profitable long term investment or research is scrapped under such pressure. [46]

Size, success and bureaucratic inefficiency are connected with another highly important feature of 'actually existing capitalism' – the crucial role of the state. Defence industries are of vital importance in providing markets for some of the most important industries. But new weapon development involves a scale of investment that only the biggest companies can undertake. At the same time, however, there is little guarantee that these weapons systems will eventually be successful and there is very few ways in

which governments can keep track of what's happening inside the defence contracting companies. As one account of the US defence industry tells, in the late 1950s and the 1960s: At least 68 weapons systems, worth \$59 billion, had to be abandoned as unworkable'. The others 'came off the assembly line two years later than promised ... of major aircraft and missiles systems built for the airforce and navy since 1955 at a cost of \$40 billions, only four, costing \$5 billion, could be relied on to reach a performance level of 75 percent of above their specifications'. [47]

The profligacy of governments out to build up military potential at all costs necessarily leads to massively wasteful methods pervading the firms involved. The firms know that whatever they do, governments cannot afford the military implications of allowing them to go bust: at the end of a day the Pentagon must prop up a Lockheed, a Boeing or an IBM – just as today it is talking about making a huge investment of its own to refloat an American micro-chip industry. [48] At the same time the access of these firms to military contracts gives them a massive advantage over any other firms that want to enter the industry. So it is that IBM, despite its inefficiency can still dominate the mainframe computer industry world wide, and Boeing the aerospace industry. So it is that everywhere the major telecommunications firms are those with the government connections.

Pricing and monopoly state capitalism

The domination of modern capitalism by giant firms has a very important impact on the pricing system: it comes to reflect real costs of production even less than under the classical version of the system. Giant firms will continually try to fix prices so as to maximise their own profits. Monopolistic and oligopolistic practices, by which giant firms co-operate to set price levels are well documented. They mean, for example, that firms will often respond to a downturn in the demand for their goods not by cutting prices, as neo-classical economic theory claims they should, but by raising them so as to sustain profit levels despite smaller sales. So, for instance, in the US the recessions of 1953, 1958 and 1969 saw a fall in prices in those industries where competition still reigned, but price rises of 1.9 percent, 0.5 percent and 5.9 percent in the monopoly industries. [49]

Pricing policy also becomes a conscious tool by which firms seek to enhance their position at the expense of their rivals. A recent account of IBM tells how the firm came to dominate the computer market in the early 1950s, even though it was two years behind its rivals in producing the first commercial computer.

IBM still had a monopoly on card reading machinery used by the first computers ... So IBM could carry its monopoly advantage from one sector over to another. In effect, the rivals funded the drive by IBM to develop its early computers. Once IBM had its foot in the door, the techniques of lock-ins and cross-subsidisation were used to build the monopoly.

This was what lay behind the great success of the 380 series machines in the 1960s – which even internal IBM documents admit were ‘mediocre’.

The standard machines were themselves ultra-cheap, but their memories were deliberately underdeveloped. So users had to add on extra-capacity at extortionate prices. Then when other companies came out with a range of vastly superior big computers, IBM sent out the order: “blast anything and anybody”. They sank \$100 million into developing a supercomputer. The end result was against ‘mediocre’, but the mere promise of a forthcoming IBM supermachine was enough to knock the bottom out of the competition’s markets.

[50]

IBM’s methods are to be found, to a greater or lesser extent, in all giants. They raise prices above production costs in the domestic markets which they monopolise and they lower prices in markets they want to gobble up; they transfer costs from operations in countries where taxes on profits are low to operations in countries where they are high; they deliberately force up the prices of those raw materials and components they themselves produce, so making their profits on them, while keeping the prices of the end product down. There have even been cases where strongly placed firms have allowed wages in an industry to rise, forcing more weakly based rivals to the wall. [51]

But even without these tricks there are powerful forces at work which lead firms not to base their internal production on the costs. Production in aging capitalism is based on huge investments that often take many years to come on stream. Besides being very large, these investments display exactly the complexity which Nove talks so much about. So, in the British car industry even 20 years ago:

For the production engineer the complexities must be dispiriting at times. To turn out a light car range for instance Rootes has to order correctly schedule and marshal no less than 16,000 different parts. The parts then have to be fed through the production machine in such a way that thousands of variations can be made on a handful of basic models ... The supply manager at the Rootes plant in Coventry said that the company was forced to work on an approximately five year pattern on any given model because it simply could not afford to bring out an entirely new model every year. [52]

All this involves linking together the distinct production process involved in making a vast number of different components. Strict technical relations have to be established between them, so that they interact physically in such a way that the finished product actually functions. And measures have to be taken to ensure that the components exist in the correct proportions in relation to each other: it is no good having three times as many carburettors at your disposal as engines, or finding that you have seven doors for each car.

The same considerations apply in all the great industries. All rely on strictly delimited technical relations between different raw materials, machines, components and final products. They rarely use homogeneous inputs which can be swapped from one production process using one set of techniques to another using others. And so once investment has been undertaken, firms cannot, except at enormous cost, reorganise production so making it correspond to price changes in the market. A car or aerospace giant cannot simply scrap all its old assembly lines the day world oil prices double, a chemical company cannot simply open up new plant the day after such prices half.

They have to insulate themselves in one way or other from changes in market prices, to take measures that lead to 'internal prices' within the firm differing markedly from external prices, at least in the short term. Nor is that the end of the matter. The biggest and most powerful of them will attempt to impose their 'internal prices' on as much of the market within which they operate as possible – if need be, through direct or indirect action by the national state.

So it is that a 'free' market governments like, Thatcher's in Britain, have deliberately forced up gas prices by 30 percent above the 'market' level and is now forcing up electricity prices on the grounds that market prices would end investment in nuclear power and to energy output becoming completely dependent on 'unreliable' sources like oil and coal. So it is that major companies seek long term contracts with raw material producers to stabilise prices. So it is that for decades states have restricted the number of carriers on international aviation routes. So it is that the European Commission has imposed a planned reduction on steel making capacity throughout the EEC and a mass of controls on farm output.

But there do not have to be formal government controls for firms to be able to rely on their contacts with the national state to raise their prices. In the electricity generating industry, for instance, 'There is a widespread belief that equipment suppliers can charge up to 30 percent more in protected domestic markets than in open competition'. [53] The discrepancies between 'internal' prices and market prices becomes most marked in arms production for the national state. Ruling classes who want the potential to wage war cannot afford to have that potential continually being upset by price changes leading to the abandonment of old production techniques. The Pentagon, for instance, dare not give up building an existing range of tanks simply because

such tanks might be being produced more cheaply somewhere else in the world – in say, the USSR, Iran or China. It dare not even turn to such external sources even for components for its weapons systems. And so the market alone cannot lead to a reduction of ‘internal’ price to world market levels. The bigger the arms sector of any national economy is, the greater will be the differences between the internal prices of its major enterprises and those of the market.

Marx used the expression ‘law of value’ to refer to the way prices under classical capitalism were continually being reduced to the production costs prevailing under the most efficient organisation of production in the system as a whole. But once you have large scale investment operating over many years the short term operation of the law of value continually clashes with the longer term needs of the physical production processes. [54] The only way for firms and states to react is to negate the law of value, even though on the basis of the law of value. [55] But in doing so, they are further weakening the possibility of price signals leading to a rational organisation of production.

In this respect there is nothing particularly abnormal about the chaos which operates with the price system in Russia and Eastern Europe. The whole of national production, rather than simply major chunks of it, has been insulated from the vagaries of the world market. And the burden of competing with an economy twice the USSR’s size leads to arms production eating up twice as much of the national product as in the US, about four times as much as in Western Europe, and about 12 times as much as in Japan. The result is greater quantitative discrepancies between internal prices and world market prices, but not any qualitative difference.

Quality and consumer choice

There are two more points in Nove's argument that need to be dealt with: his contentions that the market ensures high quality production and a choice for consumers.

First is the question of the quality of output. As with the question of waste and innovation, any objective, empirical look at actually existing capitalism reveals anything but the concern for high quality output which Nove ascribes to it. To take just a few examples: US car firms ignored established techniques of quality control for decades. So low was the quality of their output that suggestions of a 50,000 mile, five year warranty on new cars was regarded as a recipe for financial ruin. [56] At the end of the day it was not the market which led company executives to begin to worry a little about the quality of their products, but *political* intervention as a result of the campaigning efforts of Ralph Nader and legislative action by Congress. A similar lack of quality control was also a marked feature of the British car industry. A study in the early 1960s told:

'Quality is your life' and other similar nostrums were littered round the factories I visited. Significantly some of the most experienced British workers in mass production factories regarded these banners as the purest hypocrisy – 'lip service' was a common verdict ... The level of quality demanded in the firm seemed to vary according to the season. When the order book is light and no customers are likely to be lost, quality becomes top priority but in the scurry of spring and summer sales, the most insistent drive is for quantity, as many cars as the salesmen can lay their hands on ... One inspector told me, 'We let things through which wouldn't pass later'. Another worker said, 'inspection, it's a farce. The inspector says it's not good enough, then the gaffer (i.e. production boss) comes along and decides to let it go'. [57]

The Western aerospace industry is dominated by three giants, Boeing, McDonald Douglas and Lockheed. Their concern with quality was sharply exposed after the January 1989 M1 plane crash in Britain. Media attention was briefly focused on Boeing's Seattle factories. It was revealed that:

Boeing was facing severe quality problems last year as it faced mounting pressures as a result of bulging order books. Workers complained of excessive overtime being worked and of inadequately trained personnel being taken on to cope with rush. One inspector complained, 'quality is not what it would be. Untrained people are being turned loose on real live airplanes'. One of British Airways' chief engineers wrote to Boeing that its workers were 'in general inadequately trained and possess a low level of basic work skills and, of paramount concern, seem oblivious that they are building aircraft where any mistake represents a direct compromise with safety'. Among faults noted were 'missing fasteners, missing parts, cracks, bodged rivets, fasteners fitted the wrong way round'.

[58]

Boeing is only the latest in a long list of cases in which it has taken physical disaster to focus attention on the low quality of some product: the Ronan Point disaster in London when a recently built multi-storey housing block collapsed; the enforced evacuation of a the whole of the Milan suburb of Seveso after a leak of poisonous chemicals; the Three Mile Island nuclear power disaster in the US; the explosion of the Union Carbide chemical plant at Bhopal in India; the poisoning of hundreds of Spanish consumers by adulterated rape seed oil; the sinking of the passenger ferry appropriately titled the *Herald of Free*

Enterprise. The scale of less catastrophic forms of low quality production is attested to by numerous reports by consumer advice organisations.

Low quality of production is most marked in those things which are consumed by working class people. The logic of the system dictates individual capitals try to hold wages down as much as they can, forcing workers and their families continually to economise in buying the goods needed to reproduce their labour power. The firms which produce such goods put enormous effort into turning out inferior products which seem able to satisfy workers' needs. Marx himself made the point in **Capital**, giving the example of the adulteration of foodstuffs in Victorian Britain [59] One hundred and twenty years later adulteration occurs in much more sophisticated ways – the mass promotion of breakfast cereals that are nutritionally useless, the pumping of hormones into livestock to increase meat yields and of water into meat to increase its bulk; the cutting of bread production costs to the minimum by removing much of the most nutritional value from the flour and adding a score or more preservatives; the proliferation of convenience foods and fast food outlets aimed at working class families where both parents work and have little time left to worry about the niceties of their diets; the pouring of crisps, chips, biscuits, cheap sweets and other life shortening products into the bellies of working class children. No wonder that all the studies in Britain show that the components of the working class diet are less nutritious and more unhealthy than the diets of their rulers, helping to produce a gap of more than 10 years in their life expectancies.

What applies to food also applies to many consumer durables. In the British motor industry the neglect of quality was always in the factories involved in mass production. By contrast in the Rolls Royce factory at Crewe, 'Delivery dates

take second place to the quality of the finished product', with 'a very high ratio of inspection staff to production workers for so small an output', while at the Jaguar plant in Coventry a worker could tell, 'I've had "Damage means dismissal" drummed into me ever since I went there'. [60] Much of the same contrast in quality levels is to be found in furniture industry, where the cupboards and shelving provided for self assembly by working class families are likely to fall to pieces and the stuffing of beds and armchairs is a notorious fire hazard.

Meanwhile there is conscious neglect of those services which house working class people, transport them to and from work, allow them limited forms of relaxation, and deal with them when they are physically or mentally sick. The market allows those with low, working class incomes to choose only between low quality alternatives.

The downward pressure on the quality of mass consumption goods and services is greatest in backward capitalisms seeking to compete with more advanced ones. This is because backward capitalisms need to devote more resources to accumulation and fewer to working class consumption. So it is that housing conditions are much worse in Sao Paulo or Bombay than in London or Paris, that buildings are more likely to collapse in earthquakes in Mexico City than in northern California, that malnutrition is more frequent in Santiago or Calcutta than in Sweden or West Germany. So it is too that the quality of mass consumer items [61] is relatively low in many Eastern bloc countries compared to the advanced Western capitalisms. The higher rate of accumulation needed for these countries ruling classes to 'catch up' with their Western rivals has necessarily entailed devotion of a smaller proportion of the national output to developing consumption than in the West.

Far from being a result, as Nove claims, of the application of Marxist ideas, the low quality of many consumer goods in the East is a result of the abandonment, many years ago, of the Marxist perspective of world revolution in favour of the Stalinist perspective of state capitalist competition with the rest of the world system. [62]

Even in the advanced Western countries consumer choice is much more a myth for the mass of workers than people like Nove would have us to believe. The ability to choose depends on income, and most people's incomes restrict them to choices between very similar alternatives. They can only afford to buy the sorts of mass produced products turned out by a handful of giant companies (although, as with Proctor & Gamble or Unilever, using a variety of different product names) and sold by a handful retail chains. In Britain 'five companies account for 74 percent of packaged grocery sales', according to the head of a division of the Vestey commercial empire, and if present trends continue, 'three supermarket chains may dominate three quarters of food retailing in Britain by 1995'. [63]

Those that run these giant firms are very conscious that they are catering for customers who not only are usually short of cash, but who also do not have a great deal of time or energy left after work. The firms aim to attract people to their stores by 'loss leaders' – a very narrow range of goods sold cheaply – knowing that, once there, the customers will fill their trolleys with other goods that are neither cheap nor of particularly high quality. Even when choices are made, the alternatives of Crosse & Blackwell or Heinz in tinned vegetables, of Findus or Birds Eye in frozen food, of Nescafé and Maxwell House in coffee, are hardly sufficient to justify talk of consumer sovereignty.

The same concentration of control and lack of real choice characterises all areas of mass consumption. Three or four

breweries dominate beer (and, increasingly, spirits) both at the production end and the retail end (through 'tied' public houses and ownership of off license chains). Consumer durables are marketed by two or three chains selling the output of two or three firms (although again under a multitude of names). In the mass foreign holiday business Thompson's, controlled a third of the business, even before it bid for its biggest rival, Horizon. The giant oil companies have not only carved it's the retail outlets for petrol between them, with one often putting name to the petrol provided by another. The motor industry in Europe is now dominated by seven major companies (five European and two American); far from competition leading to variety, the result has been the production of ranges of models that are indistinguishable from each other if looked at from only a few paces distance.

Such giant firms seek, by vast expenditures on advertising, on packaging and on gaining control of key high street locations, to fix and 'shape' the markets for their goods. They consciously set out to create a demand for them, rather than responding as market theorists of the Nove variety would have us think, by responding to consumers' desires as spontaneously expressed through selective buying. This does not mean that the output of the firms never changes. It does, primarily in response of two different sorts of pressures. First, there are changes induced from within the industries themselves as they consciously try to alter fashions every so often, knowing that this will create a demand for new sorts of products which they alone can provide. The second is when campaigns by pressure groups and the media suddenly concentrate attention on the faults of an old line of products – as with campaigns over 'real ale' and wholemeal bread, the anti-smoking campaign or the repeated TV exposures of the low level of facilities provided by much of the package holiday trade. The

interesting thing, however, is that neither sort of change takes place mainly as a result of consumers shifting their preferences from one range of goods to another in the market. Rather they are a result of decisions from the top within the industry or of political pressures from outside.

Claims of consumer sovereignty rest on the assumption that there is something intrinsically good about a situation where people have continually to provide for their consumption needs in a privatised way. But for most working class families shopping is not some enjoyable and liberated exercise in consumer sovereignty, but a burden which has to be met, often by traipsing round shops and supermarkets looking for affordable goods. And the most depressing moments in people's lives can be when they are forced to 'go into the market' to get their car, television, washing machine or house repaired. These tasks may not take as long to fulfil as in the relatively more backward economies of Eastern Europe and the USSR, but they are much more time consuming for working class families than university professors and media pundits imagine.

The picture that emerges from any empirical study of what actually happens inside capitalist companies is very different from that assumed Nove's model. [64] It is a picture of incompetence, lethargy, bureaucratic politics, waste, of attempts to conceal poor quality output, and, often, of a deliberate discouragement of innovation. As far as I know, no scientific attempt has been made to measure the overall level of this 'internal' waste. But the studies made by management consultants hired to suggest ways of revamping ailing companies suggest it can be as high as 40 or 50 percent in particular cases. [65] These are, significantly, not that different to the sorts of figures given by those reforming Russian economists who complain about

the behaviour of particular Eastern bloc industries. If there are differences, they are differences of degree, not of kind.

It is worth making one last comment about the overall picture of capitalism as it actually exists today, of the market as it really operates, with its different forms of waste and its lack of consumer choice. It is by no means a totally new picture. There was once a time when it was quite fashionable for both apologists of the system and for critics of it to emphasise how different it was in reality from the classical model – whether that model was to be found in Smith and Ricardo or in Marx. This was in the 1950s and 1960s when the system seemed to have overcome its propensity to crisis. Writers as diverse as Baran and Sweezy, Anthony Crosland, and Herbert Marcuse, were able to claim that the system was no longer driven forward purely by competitive market principles; people like Vance Packard exposed the ways in which firms set out to shape consumer demand without any real concern either for quality or for people's needs; economists as diverse as Galbraith in the US and Joan Robinson in Britain attacked the myth of consumer sovereignty, while others like Andrew Schonfield laid stress on the way in which firms did not live up to their own capitalist credentials. Those of us who are revolutionary Marxists always regarded such accounts of contemporary capitalism as inadequate, as one sided and theoretically weak. But we have had to take seriously the mass of quite correct empirical material they pinpointed about the behaviour of both individual firms and the system as a whole.

By contrast, present day apostles of the market like Nove would have us forget that such empirical material was ever brought to light and is still brought to light today by journalists and management consultants. For merely to talk about it is to throw into doubt the central contentions of

those who worship the market. If Nove were to mention such things he would have to admit something devastating to his whole argument – that the reality of what he calls ‘actually existing socialism’ is remarkably like the reality of the actually existing capitalism, that the faults of the Stalinist centrally administered economy are not qualitatively different from those of ageing capitalism in its Western form.

Theory and reality

This leads us back to Nove’s initial argument – about the impossibility of foreseeing what needs to be done in a rapidly changing world. However, this is just as much a problem for the giant Western corporations as for the rulers of USSR Inc. And it is not a problem that arises from ‘changes in fashion’ but from the way the dynamic of the whole system is based on competitive accumulation, with those who control each state or private capital attempting to keep ahead of their rivals by piling up ever greater quantities of dead labour in the form of means of production (and, in the modern world, means of destruction). Such a simultaneous burst of investment necessarily has two sorts of effects, both of which disturb any existing equilibrium of supply and demand – and with it, the old set of price relationships. First, the massive expansion of the means of production can only take place by the laying out of massive resources – which necessarily puts a strain on raw material and labour resources available

for the rest of production, with the result that their prices rise sharply. [66]

Secondly, once the new means of production come on stream they make workers more productive than the old ones. They churn out goods more cheaply and those capitalists still stuck with the old methods lose markets as a whole range of prices fall. [67]

The dynamic of unplanned interaction between giant firms and states means that none of them can plan on the basis of a rational assessment of what the real costs of production will be in future – none of them can, in reality, have the sort of price structure which bourgeois economic theory claims is the basis for rational economic calculation. All that each can do is to attempt to calculate on the basis of its internal organisation and resources, knowing that at any moment changes elsewhere in the system are likely to revolutionise the relative worths of these internal resources. When such changes occur, those who control individual capitals – firms or states – suddenly find that all their calculations are wrong, that they are under pressure to reshape their own activities on a massive scale, even though such reshaping will further disturb the relations of the different elements of the total system and simply lead to further irrationality and the necessity of further reshaping. Marx's comment on Ricardo applies just as much to Nove:

The question that has to be answered is: since, on the basis of capitalist production, everyone works for himself and particular labour must at the same time appear as its opposite, as abstract labour and this form as general labour – how is it possible to achieve the necessary balance and interdependence of the various spheres of production, their dimensions and the proportions between them, except through the constant neutralisation of a constant disharmony? This is admitted by those who speak of adjustments through competition, for these adjustments always presuppose there is something to

adjust, and that therefore harmony is always only a result of the movement which neutralises the existing disharmony. [68]

It is precisely because this situation is so irrational and is so damaging to the attempts of individual capitals to calculate for their own future that the twentieth century has seen such a massive growth of attempts by firms and states to protect themselves from the impact of the market by reliance on unproductive activities – from advertising and high finance to war and state capitalism. It is this which explains, for instance, the four decades the system's existence from the mid 1930s to the mid 1970s in which long term planning, whether under a Stalinist, an import substitutionist, or a Keynesian guise, was such a fad. From this standpoint, Stalin's use of military might and a state monopoly of foreign trade to insulate Russia from the rest of the world system while pushing through forced industrialisation was at one with trends elsewhere in the system. But insulation was not the same as isolation. He could only do so by adjusting the internal regime inside Russia to the rigours of military competition with powers outside. Hence the way in which, through years of virtual autarchy, the Russian bureaucracy carried through a level of internal accumulation which strained the resources of Russian society (and above all the living standards of the workers and peasants) to the limit and which continually undermined

attempts to make a rational calculation of those resources.

Yet it was not possible for the giants of the world's economy to ignore for ever the changes taking place outside themselves. Those who believed they could – like the American radical economists Baran and Sweezy – were eventually proved wrong. Relying on their sheer size to protect them, hidden behind their bureaucratic carapaces, it was possible for a Ford, a General Motors, a USSR Inc. to pretend that the system as whole was not experiencing fundamental changes like the internationalisation of production and the rise of the newer trade oriented state capitalisms of the Pacific basin. But eventually reality was bound to intrude on them in the harshest fashion.

For American industry this happened with the two great oil price rise shocks of 1973 and 1980. Suddenly foreign imports – especially Japanese ones – were challenging the American giants on their home ground. A massive process of restructuring was suddenly necessary if some of the biggest names were not to go bankrupt. In the 1980s it has been the turn of the Russian giant to feel the same pressure, to suddenly come to terms with the fact that unless it rejigs its internal economic arrangements to take account of external pressures, it will lag being the system's other giants economically and therefore also militarily.

But restructuring cannot be an easy, or even a rational operation for any of the giants. None of them knows what the structure of production and production costs is going to be like in a few years time. They do not know the most basic things – like the direction in which oil and energy costs are going to shift, what the relation between the major currencies will be, what the tempo of production world wide and therefore the structure of demand will be. If Ford can do brilliantly by the accident of relying on what were seen, only

a few years previously, as archaic motor vehicles, any firm or state can do appallingly on the basis of similar accidents.

At the same time, the giants certainly have not abandoned the use of non-productive means of ensuring profitability. Ford and USX (formerly US Steel) have seen their fortunes revive, in part, because of the threat of protective legislation by the US Congress to extract concessions from Pacific competitors. The giants of world telecommunications still look to governments to aid them in their rivalry with each other. The aerospace industry is still dominated by firms linked to the US arms effort.

The Japanese companies, as relative newcomers to the world market, could only break into markets by being more innovative and more dynamic than their US rivals, Yet their internal organisation was still very different to market mythology. They have always been strongly integrated into Japan's state bureaucracy (General MacArthur once described Japan as 'private socialism'). Japanese industrialists still put a lot of effort and resources into bribing ruling party politicians (witness the spate of ministerial resignations because of the recent corruption scandal). Success in a managerial career depends at least as much on playing company politics as on ability (for years the scab union built by Nissan's middle managers to smash a strike in the early 1950s operated as a quasi totalitarian party inside the company, ensuring that only those active in it rose to high position [69]). What is more, as the Japanese companies themselves achieve a pre-eminent world position, they inevitably come to share many of the 'non-competitive' features of the US giants – relying on size to ensure continued domination of markets without bothering with innovation, improved quality or better consumer satisfaction. And that means they will increasingly come to

suffer from all forms of internal inefficiency to be found in Ford or IBM. A report on Tokyo office workers found:

They may clock up 200 hours a year more than their foreign counterparts, but not necessarily by working. More than half of those surveyed said they read newspapers and magazines or make personal phone calls from work. Just as many said they go to the bank or attended to other personal business during official hours. [70]

As Marx pointed out 120 years ago, competition inevitably begets monopoly. The young, dynamic firms of capitalism's youth inevitably give rise to the flabby, lethargic giants of its old age. And once that occurs any capitalist firm will reproduce many of the features that the Eastern European dissidents believe unique to the economies they live in. Under these circumstances restructuring can lead to the new forms of inefficiency and waste arising as quickly as old forms are eliminated. Rational calculation of production costs remains as much a will-o'-the-wisp as ever.

Nove himself gives the game away when, in an aside, he writes that 'Western theories on investment criteria are neither satisfactory or complete'. Without such a theory it is difficult so see how he can claim there is rational basis for organising investment in a market system. But, and this is typical of Nove's dishonesty, after recognising this point in passing he then goes on as if he hadn't. [71] If there are no clear criteria for determining efficiency, then attempts at restructuring can just as easily lead to disaster as to success. The proof of the pudding is in the eating. For the Noveite apostles of the market, the great hope in Eastern Europe lay, until recently, in Hungary. So he writes:

With the position of the consumer ... the advantages (of the Hungarian experience) seem overwhelming. Supply and demand have tended to balance at existing prices ... [72]

Hungarian experience shows clearly both the advantages and the difficulties which follow from an attempt to introduce what can be called market socialism'. On balance the positive features seem to predominate ... [73]

Nove wrote these words five years ago. Since then truth has caught up with him. Hungary is in the midst of a raging economic and political crisis. Living standards are below what they were 10 years ago, economic growth is at a standstill, the government is out to close down major industries, unemployment is rising and inflation is endemic. If 'supply and demand' are balancing, it is not at existing prices and it is at enormous cost to the poorest section of Hungary's population. [74] The best comment on claims that the Hungarian style market is a solution to the problems plaguing centrally administered economies in places like the USSR and Poland was provided by a skit which appeared on Budapest TV's New Year's Eve cabaret. In it an actor played the part of the Polish government spokesman, Jerzy Urban:

Comperre: Mr Urban, you have been doing your job now for eight years. What has been your most acute moment in that time?

Urban: The one we are experiencing now, as we realise that today's Hungary is our biggest success.

The socialist alternative

Underlying all Nove's arguments is a fatalism: things may be bad in parts of the West, but really there is no alternative:

We must never forget that perfect systems exist only in books, that the real world of East and West abounds in irrationalities, misallocation, misemployment of resources, various forms of waste. In the real world, whether socialist or not, some intractable problems and contradictions will exist. Indeed, it is well that this is so, for a world without contradictions would be an intolerable dull place and social scientists would be threatened with unemployment. [75]

What a heartening message for the starving of Ethiopia, the earthquake victims of Armenia, the slum children of Sao Paulo, the homeless of London and New York, those everywhere who go hungry while foodstocks are burned in order to force up the price! Don't worry about your plight, it makes the world interesting for a Scottish professor!

The fact is that alternatives are desperately needed to the present system of competitive accumulation, East and West. The only real argument Nove can put up against those who pose such alternatives is to denounce us as 'fundamentalists' and 'Utopians' who believe we can rebuild the world from scratch at one go. This was not the view of Marx (indeed, one of his central disagreements with anarchists of the Bakunin school was precisely over their contention that universal destruction had to precede universal reconstruction) and it is not the view of genuine Marxists today.

Marxists have never held that the transition from one mode of production to another depends on the complete destruction of the first mode. Rather they have argued that a particular mode of production reaches a point in which it

cannot develop the forces of production – the ability of human beings to control nature – any further without running into immense contradictions that tear society apart. At that point a recomposition of society is necessary, with one of the oppressed classes of the old society consciously setting out to re-order (not to rebuild from scratch!) the relations of human beings with each other and with the world of production.

So the transition from feudalism to capitalism was not based upon the destruction of all the ways of organising production that had grown up over a thousand years, but rather on the subordination of certain of the old ways of organising production to newer ways – and to the class which embodied these newer ways. And although the political revolutions necessary for the success of this process were certainly far from gradual, the process itself could not be completed over night but took hundreds of years. ‘Sudden’ political revolutions depended on long drawn out changes both in society’s economic structure and in peoples ideas. Even the transition from the slave societies of antiquity to feudalism, which did require the disintegration of the Roman empire and a partial collapse of civilisation, was not simply a question of a new order being built from scratch on the grave of the old. Feudalism grew out of developments that had already begun within antiquity and were dependent upon certain of the achievements of that society.

The transformation of capitalism into socialism likewise requires a combination of the sudden seizure of political power by a rising class with a much slower transition to a new economic order and an even more drawn out ‘cultural revolution’ by which human beings acquire completely new attitudes to every aspect of life. Socialism is impossible without a revolutionary break with capitalism but it also

depends upon reconstructing society using the material which capitalism provides us with:

What we have to deal with is a communist society, not as it has developed on its own foundation, but on the contrary, just as it emerges from capitalist society which is thus in every respect, economically, morally and intellectually, still stamped with the birthmarks of the old society from whose womb it emerges.

[76]

What the combination of the two elements means in practice can be seen by looking at what a revolutionary workers government, based on workers councils, can do. It can immediately, on the very morrow of revolution, undertake three interlinked steps to improve conditions for the mass of people.

Firstly, it can carry through a wholesale redistribution of the wealth of the ruling classes to the benefit of the working classes – the allocation of parts of their overlarge houses to homeless and slum families, the use of their private (or, in the Eastern European countries, their ‘special’ hospitals, clubs and country estates or dachas) to satisfy pressing social needs, the use of the luxury cars (or the excessive amounts of fuel they consume) to help solve mass transport problems, the reorganisation of their luxury restaurants and hotels as centres for relaxation for the mass of the population. In Britain 10 percent of the population own 50 percent of the personal wealth. Such redistributive measures could easily produce a considerable overnight improvement in the conditions of a large section of the population.

Secondly, a workers’ government can immediately begin to cut down on elements of waste, duplication and inefficiency within the economy. It can consciously begin to redirect resources previously devoted to competitive accumulation and the arms race towards the needs of the

mass of the population, as expressed through their own democratic organs. It can rely upon mass initiative from below to expose at the shop floor levels forms of waste, of low quality production and of ecologically dangerous output.

Thirdly, it can begin to overcome the basic alienation of workers at the point of production – not in the sense of making humdrum, boring and tiring work instantaneously enjoyable, but in the sense of workers beginning to feel that their work has some point to it, is producing objects useful to themselves and people like them. This in turn will lead to higher quality of output, to more output being produced in fewer hours (so allowing a shorter working week), to less need for external forms of discipline (or rather, collective self discipline) over the workforce.

Nove claims ‘fundamentalist’ socialists rely on a claim that the day after the socialist revolution workers will suddenly love their labour and lose all the elements of selfishness which characterise existing society. We do not. Unfortunately, the psychological scars of capitalist society will remain for many decades after it has been overthrown.

But that does not mean that there is no alternative to those posed by Nove, who claims that selfishness is innate, so necessitating great differentials of income to motivate production:

Market type incentives and differentials become necessary to ‘allocate’ labour in the absence of labour conscription and direction ... An incentive scheme is the only conceivable substitute for compulsion. [77]

Nove says he does not mean that inequalities have to be as high as they are today. But elsewhere he has attacked the left for ‘soak the rich tax policies’ and for believing that ‘human attitudes’ can ‘alter in implausible ways’. ‘Labour incentives’, he has insisted,

‘mean inequality’. In fact, in the half a million years of human life on this planet there have been many, many examples of people being motivated to produce useful and high quality products without either compulsion or ‘incentives’. None is, in fact, relying on the ahistorical and philistine bourgeois notion that the particular set of mental attitudes which conquered parts of Western Europe only some three or four hundred years ago (and often then by force) and which have spread to the rest of humanity only in the last hundred years are somehow innate and unchangeable.

Even under capitalism there are important niches of life where quite different considerations hold force. Indeed, the system itself could hardly function if people did not, all the time, even when they are at their most alienated, do things in such a way as to benefit other people as well as themselves. In its hospitals nurses do not look at clock cards or pay scales before dealing with patients’ desperate needs; in its schools teachers do not usually demand bonus rates before helping children with reading difficulties; in capitalism’s armies soldiers often display the most absurd altruism in risking their lives in a way that no desire for payment or fear of punishment could justify; in car factories workers do show some concern lest the willingness of managers to allow faulty work through should lead to unsafe vehicles.

One of the contradictions of the system, East and West, is that the more complex processes become, the more difficult it is for control from above to impose high standards (whether that control is based on incentives or coercion), since management can never exercise anything like full knowledge of what is happening on the shop floor. The need

to rely on elements of altruism, on co-operatively motivated desires to do a good job, becomes ever greater. Yet in class society, where production is not determined by the needs of the immediate producers, control from above, setting workers against each other and making them resent the work they do, is the only control available. Hence the repeated resort of managements to 'participation' schemes and 'quality circles' designed to make workers feel they have some real interest in their work, other than fear of supervision or desire for material reward; hence too the continual breakdown of such schemes.

Our point is that by overthrowing class rule, it is possible to *begin* to release people's co-operative feelings from the cramping confines of a society in which those who are not selfish go to the wall. Once human beings can see that production is genuinely for their own good, they will have no reason, however selfish they are, to want to spend longer on a particular piece of work than is necessary to achieve a certain level of quality. Nor will they have any great desire to produce something which is not of good enough standard to be used by someone else. There will be beginnings of a change in attitudes once there is the beginnings of a change in the material reality, just as there are great changes in attitude when 'primitive' societies gave way to class societies and feudalism was overthrown by a rising capitalism.

Nove says socialism has to prove its 'feasibility' in the restricted sense of being beneficial within an average person's lifetime. Well, these measures would bring returns for the mass of workers much more quickly than that.

The transition to socialism

None of these immediate measures involve – nor could involve – a complete break with the old economic mechanism as it has grown up under capitalism. The revolutionary workers need to figure out as rationally as possible how to carry through these tasks, how to allocate resources, what will be the implications of switching from one form of production to another. They will, at first, have to use the only methods bequeathed to them by capitalism for doing so, the existing system of prices, the existing distribution of goods through buying and selling, the existing use of money to pay for the labour power of the individual worker. As Marx puts it:

The individual producer receives back from society – after the deductions have been made [for various socially provided services listed earlier – *CH*] – exactly what he gives to it. What he has given to it is his individual quantum of labour ... The same amount of labour he has given to society in one form he receives back in another.

Here obviously the same principle prevails as that which regulates the exchange of commodities, as far as this is an exchange of equal values... As far as the distribution of... consumption ... among the individual consumers is concerned the same principle prevails as in the exchange of commodity equivalents: a given amount of labour is exchanged in one form for a given amount in another form.

[78]

But, as Marx hastens to point out, the continuity of form between the old society and the new hides a change in content because:

Under the altered circumstances, no one can give anything except his labour, and because, on the other hand, nothing can pass to the ownership of individuals except individual means of consumption.

The point is that there has been a transformation in the overall context within which the exchange of the products of labour takes place. Individual capitalists (or, in aging capitalism, state monopoly capitalist and bureaucratic state capitalist groups) no longer control masses of dead labour, masses of exchange value embodied in means of production. The decisions about investment in further means of production are no longer taken on the basis of the blind competition of these groups of capitalists with each other as each attempts to expand at the expense of the other.

The motive force in the economy as a whole 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 realise 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. This was what Lenin was talking about when he said that there had to be workers control, but workers control of enterprises which still operated on ‘state capitalist’ lines. It is what Trotsky meant when he insisted:

It is necessary for each state owned factory, with its technical director, to be subject to control from the top ... but also from below, by the market, which will remain the regulator of the state economy for a long time to come. [79]

The innumerable live participants in the economy ... must make known their needs and their relative intensity not only

through the statistical compilations of planning commissions, but directly through the pressure of demand and supply. The plan is checked, and to a considerable extent realised, through the market. The regulation over the market must base itself on the tendencies showing themselves in it, must prove their economic rationality through commercial calculation. The economy of the transition period is unthinkable without 'control' by the rouble [80]

But these quotes do not, as Nove imagines, prove his case, or the general case for market socialism at all. Market socialism is the doctrine that the dynamic of the economy is in essence the same under socialism as under capitalism, that the market decides everything and that government then intervenes to correct things a little after the event. Marx, Lenin and Trotsky were talking about something else entirely, about how the old (and highly inaccurate) methods are used for estimating the costing of various alternative economic decisions, but how those decisions are then made on a very different basis to that of blind, endlessly destructive and wasteful, competitive accumulation of rival capitals.

Precisely because they were Marxists, they did not pose things in terms of either the simple continuation of the old mode of production or the immediate imposition of the new one, but of a complex, dialectical transition from one to the other. This transition involved movement – movement from market mechanisms to conscious control, movement from the subordination of consumption to accumulation to the use of accumulated labour as 'but a means to widen, to enrich, to promote the existence of the labourer' [81], movement from realm of necessity to the realm of freedom.

The process of transition involves the ‘interpenetration of opposites’. New principles supplement and, eventually, displace the old when it comes to assessing the real costs of production. This is necessarily so for, as we have seen, the old methods are continually being outdated by the very process of production they were meant to monitor. What is more, the greater the degree of concentration of production, even under capitalism, the less effective market pricing becomes as a means of arriving at a real estimate of *current* costs. Moves by a genuine workers’ state towards eradicating duplication of production and the waste of competitive accumulation would necessarily make market prices a less efficient measuring tool still.

A new measure of production costs

A new – and immensely more efficient – measuring tool is at hand once production is freed from the distorting impact of capitalism. The workers themselves can evaluate the amount of labour that goes into their production. Each workers’ collective can calculate and record the extra labour it has done, so that the final object has, so to speak, ‘written on it’ the amount of labour it embodies.

The labour marked on the object is so much ‘concrete labour’, labour carried through in a particular workplace using certain techniques and methods of production which may not be the most efficient from the point of view of society as whole. But it can provide the basis on which both the immediate workers and the collective organs for running society as a whole can discuss how to introduce the changes in techniques needed to make production more efficient and

more fitted to human needs. For once the calculations of the amount of concrete labour that is used to produce something has been carried through, it is no great difficulty to compare it with the amount required in a workplace elsewhere in the economy. The measurements then exist for consciously moving towards the generalization of the techniques which require the least labour over society as a whole.

Nove would argue that human beings will never change their ways and that they will lie about the amount of labour they have exerted. To defeat his argument it is not necessary to contend that all human beings will change all at once. It may take many decades, or even generations, for a complete change in attitudes to occur. The point, however, is that it is *rational* for a worker under capitalism to lie to his supervisors about how much work he or she is capable of doing. It is worth recalling that the classic study of 'informal' restrictive shop floor practices, the Hawthorne experiment, had to be curtailed because the workers involved were sacked due to 'overproduction' in the industry! Once the whole decision-making structure of society is changed so that workers themselves determine the priorities of production, then it becomes rational for them to behave quite differently. Not all workers may recognise this rationality (just as many today do not recognise capitalist rationality and do work harder and more effectively than they need do to satisfy management's demands) but a growing number can be expected to.

This process brings considerations into play which operate when non-alienated production takes place in capitalist society. No sane human being consciously sets out to use more effort than is necessary given the level of techniques in society as a whole when decorating his or her own home. No sane human being tries to build a wall which

will fall down or a meal which will poison their guests. The Hungarian writer, Miklos Haraszti, has described how workers in the factory he worked in tried to turn out things for their own use, referred to colloquially as 'homers':

For piece workers, homers are an end in themselves ... It is the antithesis of our meaningless "real" work: the worker who makes a homer uses his head and keeps his eyes open. He scans the raw materials around him, weighs up the unexploited capacities of his machines ... The humble little homer, made secretly and only through great sacrifice, with no ulterior motive, is the only form possible of free and creative work ... We transform what we find with a disinterested pleasure free from the compulsion to make a living ...

Making homers is the only work in the factory which stands apart from the incessant competition between each other ... No-one calculates how much his help is worth, or the time spent on it. Sometimes one can even come across selflessness without any expectations of recompense which could never happen in 'real' work.

Suppose the whole of our work could be governed by the pleasures of homers ... this alienated sense, imposed from the outside by wages would be replaced by the ecstasy of true needs ... We would only produce what united homer-workers needed and what allowed us to remain workers united in the manufacture of homers, and we would produce a thousand times more efficiently than today.

To take the whole world into account, to combine our strength, to replace rivalry with co-operation, to make what we want, to plan and execute the plans together, to originate what in itself would be our enjoyment simply because it existed ... The Great Homer would not carry the risk of our frittering away strength senselessly; on the contrary it would be the only way to discover ... the real utility of our exertions. If we could direct our

lives towards the Great Homer, we would gladly take on a few hours of mechanised labour a day, so long as it was needed.

The point about socialist revolution is not to overcome the old ways of measuring labour all at once, but, while using them continually to create conditions under which new, and superior ones, become increasingly effective.

This transformation is possible precisely because the whole basis of capitalist (and Stalinist, state capitalist) society is alienation. People do not control their own labour or its products. It is this which makes them do irrational things like work as slowly as possible (even when, as in many non-manual jobs, it is much more wearing to work slowly than quickly), to turn out products that are of too low a quality to be of any use to anyone, to hide their productive activity from those around them in case a measurement of it be used to damage their wage levels.

The complexity of modern production

Nove makes much of the complexity of economic decision making. Of course, an advanced socialist economy will be a complicated economy. All the time decisions will be made which have direct and indirect implications for many different people in many different parts of the socialist economic system. But, as has already been pointed out, such decisions already have to be made under capitalism – except under capitalism they are made not on the basis of

open and democratic discussion by the people who are going to have to produce and consume the goods concerned, but by small, closed, highly privileged groups concerned solely with the competitive struggle with other such groups.

Genuine socialism will not be more complicated than capitalism. And it will begin to replace the absurd and destructive ways in which complication is resolved under capitalism – the most absurd being the capitalist boom-slump cycle and the capitalist drive to war – by conscious human intervention.

It will be able to do this precisely because it looks to the mobilisation of forces which Nove dismisses out of hand – the consciousness and initiative of many millions of workers who are denied any say over how production is organised in existing society. Through workshop meetings, factory assemblies, local, national and international workers councils, they will be able to determine the priorities of production and to provide a mass of informed comment on where the economic mechanism is operating well and where badly. The task will be made easier by the way in which the capitalist method of resolving complication, by competition resulting in crisis, continually serves to aggravate the complication – as we saw earlier in looking at how prices no sooner regain their relation to costs than they lose it again. It is the continual pressure to compete which forces capitalists (monopoly and state) to scrap old investment plans and adopt new ones, so disrupting the economic mechanism and a thousand and one points. It is the pressure to compete which leads an economy like the Russian one to have a level of accumulation too high to be sustained on the basis of its existing labour and material resources, so turning the pretence of planning into the

chaotic chopping and changing of production schedules at the shop floor level.

It is important to note something else here. The greater the progress made in removing blind market forces as a factor determining the tempo of production, the less the complexity involved in making an enormous number of decisions. Just to take one example. No modern capitalist state has succeeded in avoiding repeated urban crises. Because the pattern of production is dependent on competitive accumulation, masses of people are dragged into urban centres in an unpredictable way. This, in turn, leads a vast mass of secondary productive activities to expand: warehouses, wholesale distribution centres, retail outlets, garages and service stations, taxi firms, cafes and restaurants. The number of people seeking housing in the city grows massively, while the pressure on its mass transportation systems, its roads, its school and hospital systems reaches almost unsustainable levels. The growing congestion of all these services then creates enormous difficulties for city authorities trying to ensure ways of housing, education and transporting the labour power need by the enterprises whose expansion created the mess. Congestion, pollution and even sanitation can become problems seemingly too complicated ever to be solved by human action. Yet all that is needed to ease and eventually solve these problems is to replace blind competitive accumulation by conscious control and direction of the expansion of the productive mechanism.

A conscious turn away from the market can reduce complication enormously, at least in certain areas of the economy. Where the movement of people in towns is regulated purely by the competition of rival transport companies, buses and metro systems concentrate on the popular routes, leaving people off those routes to cater for

themselves using cars. The more cars that take to the roads the more the roads are clogged up, leading more people to abandon buses for cars. The more the authorities seek to provide road space for the cars, the more cars take to the roads. There is only one way out of this series of interconnecting vicious circles, as even some far sighted capitalist commentators recognise: for governments and city authorities to set up a non-market system of public transport. Low fare (or even better, free) bus services take away the incentive to use the private car; the fewer cars on the roads the faster the bus services, the less the incentive for others to use cars, the less polluted the city.

Nove at one point recognises that there could be a viable alternative to both the market and to bureaucratic control from above. He refers to the possibility of an economy based on simple reproduction, in which people simply repeat the tasks they have done in the past. He then gives two reasons for dismissing his own example out of hand on two grounds. Firstly, he says, (and in this he is correct) it is not a *planned* economy because it operates according to traditionally existing rhythms, not consciously organised ones. Secondly, it would not be able to cater for new, long term investments. But, if it never went beyond simple reproduction, it would not need these. More importantly, he does not consider the option which would smash his whole argument: new, long term investments could be consciously phased in at a rate which allowed discussion of their impact on the way people work, allowing democratic decisions to be taken in advance. If a non-market simple reproduction model is possible, then so too should this consciously phased in expanded reproduction model.

Nove's reason for not even considering this is that expanded reproduction, the growth of industry and technique, can only occur as it does today, as a result of

external pressures forcing the units of the system suddenly to embark on uncoordinated expansion of output. If you assume such uncoordinated accumulation, then, of course, the complications of economic decision making are too great for human beings ever to be able consciously to master them. But that is simply to say that if you assume an economy has to be run on capitalist principles of competitive accumulation it cannot at the same time be run on socialist principles. If you reject Nove's assumption then his conclusion is proved very hollow.

In practice, of course, a socialist society will never be born out of a society operating merely at the level of simple reproduction and based on traditional work practices. It will arise from the overthrow of an existing capitalism – whether market based monopoly state capitalism or administratively centralised, bureaucratic, state capitalism. Keeping the old economic metabolism going while beginning to transform it will involve all sorts of short term compromises with the methods of the old order. This will mean levels of complexity with which it would not always be easy to deal with. But with every conscious move away from the dynamic of competitive accumulation, there will be a reduction in the complexity of decision making, an increase in the ability to see the consequences of making one or other change in the economic mechanism.

Democratic discussion by the collective producers will not always lead to the making of correct decisions. There will be all sorts of mistakes and miscalculations. No doubt it will involve arguments over which needs are greatest and which tasks are so odious that they should first be automated away. Occasionally there might even be giant cock-ups, in which plans made only a few years back are proven to be completely out of tune with what is needed today. But it is very difficult to see how any of this could lead to the level of

irrationality we see East and West today, with whole industries wiped out less than a decade after they are developed, with hungry unemployed workers physically barred from factories where they could create useful goods, with housing blocs designed in such a way that they fall down, ships that sink, power stations that explode.

Finally, as society moves away from the irrationality of the existing mechanism, something else will change. Human life itself will become much broader as it stops being dominated by the 'money grubbing' motive typical of capitalism. For a whole range of things people need can be provided not only without the market, but also without any need to measure them out in proportion to the labour which people have given.

Nove claims the level of resources to do this will never be available, because human needs are infinite and so there will always be 'scarcity'. But our needs for whole ranges of things we consume are certainly not infinite. Even under capitalism, there are a free services: in Britain most health provision and, until this year, water supplies. Because the NHS is free, I don't go to have a broken arm set at the local hospital every week. Because water is free, I don't leave the tap on every time I go out of the house. In the same way, if the tube were free in London, very few of us would want to spend our day going round and round the Circle Line. If the theatres were free, none of us would be able to go more than seven nights a week.

There are many other sorts of needs where the point of 'satiety' is not so very distant. A growing number of people in advanced industrial societies are coming to an awareness that they are probably consuming too much food – even if the pressures of work (and housework) on the one hand and the low quality of mass produced foodstuffs on the other makes it very difficult for most working class People to do

much about this. Even with things like electricity supplies, the demand is not limitless. Few firms install meters on the heating systems in their offices and workshops because a temperature is soon reached at which people turn down the heat spontaneously. And just as the provision of free public transport services would rapidly reduce the amount of energy used by private cars, so the provision of free insulation for homes would reduce the amount used for heating.

Even with something like clothing, it is reasonable to suggest that most people are not like Imelda Marcos with her thousands of pairs of shoes; their demand is relatively limited, even if it is considerably higher than that met by capitalist society today. Here too it is possible to conceive of a society in which basic requirements, the most pressing needs, have been met and restriction by some sort of rationing mechanism is no longer needed. There are even things of which *fewer* would be needed under socialism than now. There are whole ranges of equipment from washing machines to hedge trimmers and computers, which people have to own individually, even if they only use them a couple of hours a week. How much more rational for them to be shared on a co-operative basis.

Marx made the distinction in the **Critique of the Gotha Programme** between a 'lower' stage of socialism in which people would continue to receive products in relation to the amount of labour they had expended, and a higher stage in which an end to scarcity would allow the principle 'to each according to his needs, from each according to his ability' to apply. Nove argues that the infinity of needs makes this second stage unattainable.

Of course, there is a sense in which needs are infinite: human inventiveness is such that it will always be reaching out to discover new ways of controlling nature, and some of

these ways will be so expensive as not to be available for all people all at once. The provision of them will have to be rationed in some way. But it does not follow that people will see the need to have them as being of the same paramount importance as the need to eat, to clothe themselves, and to protect themselves against the ravages of the climate. Some needs are more basic than others, and it is quite conceivable to imagine, as Marx did, of humanity being able to provide for them on sufficient a scale as for people to be able to take what they like. As for the less basic needs, there are many ways the associated producers could decide to allocate them – through drawing lots, as rewards for carrying out the remaining unpleasant tasks (e.g. garbage disposal), as treats on special occasions in life. Here, as elsewhere, a humanity which had conquered its own destiny would be infinitely more imaginative than those utopian (or in Nove's case, anti-utopian) writers who only see the future as some sort of projection of the present.

One final point. Nove also quotes Marx's famous saying from the **1844 Manuscripts**, to the effect that under genuine Communism humanity would be able to 'hunt in the morning, fish in the afternoon, rear cattle in the evening and be a literary critic after dinner.' Nove argues such freedom is quite incompatible with the constraints of modern production methods. But Marx never argued that industrial production could be organised in that way. Rather, he argued, that in so far as the waste and irrationality of capitalism was overcome, human beings would have increasing amounts of free time in which to engage in unalienated forms of interaction with each other and the world, and this would include a great deal of unalienated labour (after all, as anyone who is involved in writing books as Nove is, should be aware, unalienated labour can be very enjoyable!). This labour in turn would lighten the burden of the alienated labour until it became of marginal significance.

Marx's arguments could not be more apposite today. We live in a world in which, East and West, at least half production is waste production, and in which total production would be about 50 percent higher but for the effects of cyclical crises. It is quite possible to increase the output of the goods which human beings need to overcome basic needs and to reduce the working day, so increasing the amount of free time. In the process we can take an enormous step towards eliminating the scarcity which drives human beings at each others throats and the alienation which turns them mad. Maybe the ultimate goal of ending all scarcity and all alienated labour is unattainable, an asymptotic line to which we can approach ever nearer to without ever reaching. But by moving towards it, we can qualitatively transform human society and with it ourselves.

Reform, revolution and the market

Fighting for a socialist alternative is not just a question of having a vision of the future quite different to the present. It also arises directly out of the problems facing society in both the 'market' and the 'centrally directed' economies.

The proponents of marketisation claim that it will overcome economic inefficiency and eliminate low quality output in the Eastern European states. In fact it will do neither. At present the rulers of the Eastern European states are engaged in military and economic competition, even if whole economies act as single entities in relation to the outside world. The marketeers propose the breaking down of these single units into competing enterprises. Such competition is supposed to force inefficient and low quality

enterprises to change their ways. But every attempt to push through such changes soon runs into economic (as well as political) obstacles.

The changes cannot occur all at once, for fear that direct competition with external rivals will lead to large numbers of enterprises being driven out of business – thus wiping out the value of past investments in whole chunks of the economy. So a period of preparation is necessary.

If enterprise managers are to use this period to prepare for direct competition with giant foreign rivals, then they need a high level of accumulation. And if they are to be big enough to stand a chance in external competition then they are likely to enjoy an at least monopolistic position inside the domestic market. But the overall result of a number of semi-monopolies all raising their level of accumulation together will be to push up the total paid out in wages and the demand for raw materials, without raising appreciably the output either of consumer goods or materials. Shortage will inevitably result – and with them price rises and a willingness of people to buy even low quality goods and materials. At the same time, the ending of central control over individual enterprises can mean that managers choose to stop producing essential inputs for certain other enterprises, even if that damages the national economy as a whole. [82]

Instead of reform leading to increased efficiency, improved quality, better control over costs and rising living standards, it can lead to increased levels of accumulation, deteriorating quality, a greater loss of control over costs and cuts in living standards. The regime itself will then be under pressure to intervene directly to hold down prices, to instruct firms on what to produce and to enforce centralised quality controls. The regime is then faced with the choice between the devil of allowing the world market directly to

wipe out whole sectors of the economy, and the deep blue sea of reversion to some variant of direct, centralised control over the enterprises.

This is the choice which confronts the rulers of China, Hungary and Yugoslavia today, and which will face Gorbachev (or his successor) in the USSR in the not too distant future. The choice is even more difficult than it seems. Reversion to centralised administrative control becomes increasingly difficult, as the 'pre-crisis' situation turns sections of the bureaucracy against each other, thus robbing them of the coherence needed to impose a single minded direction on the economy. Instead of one will dominating economic decision making there are likely to be many, rival wills, destroying any sense of coherent economic administration at all (as in Poland today).

Yet restructuring through a direct opening up to competition with foreign enterprises is no more likely to work. For there is no guarantee that an economy restructured by the pressures of world competition today will be able to meet the pressures it will encounter in a few years time. In the interim there can be enormous changes in currency levels, in energy prices, in the level of demand in foreign markets and in the level of competition to be faced in the world. The coal industry which is shut down today because it is inefficient by world standards might turnout to have been a potential world beater; the chemical industry which is expanded today may turn out to be a white elephant. The uncertainties about the future which confront any medium sized capitalist firm trying to face up to giant competitors are going to face the restructured national economies of Eastern Europe.

Reform and the market do not offer any clear way forward even for the bureaucratic ruling classes. If they tend to opt for them it is only because of the desperate impasse into

which their own unreformed methods have led them. The prospects for the mass of workers are even less hopeful. The reformed bureaucratic, state capitalist economy, like the unreformed one, depends for any chance of success upon very high levels of accumulation. And these in turn depend upon low living standards and low quality consumer goods for the mass of the population (however much quality might improve for the ruling class and sections of the middle class), and on the authoritarian political order which alone can force people to accept these. The Russian economist Selyunin pointed out in an article in **Sotsialisticheskaya Industriya** last year that in the USSR:

the consumption fund accounts for 60 percent of income and the savings fund for 40 percent. Such a high composition of savings is, essentially, a wartime standard.

The shift towards the manufacture of producer goods has put us in the paradoxical situation where accelerated rates of development and more rapid growth in national income have very little effect on the standard of living. The economy is working more and more for itself, rather than for man.

Under such circumstances, even if *perestroika* is carried through successfully it will only raise average income by 1.5 roubles per month per employee [83] (less than 25p a week). In such a situation the answer for workers lies not in the 'market' but in seizing power over the means of production (and that means over the rest of society as well) and to begin to use them to satisfy human need in a way that only the 'associated producers' themselves can determine.

The marketer's prescriptions are just as useless for those of us who live in the West, for they mean accepting that we can only make marginal adjustments to what we already

have (or, in the case of many millions of people, don't have). Nove himself does not put things quite like that. He says he regards as 'feasible' a 'socialism' with the state controlling a certain range of economic activities that constitute natural monopolies' – 'electricity, oil, telephones, steel, railways' [84], 'docks, airports, roads, public transport generally, water supply, posts, telephones, garbage collection'. [85] The rest of the economy would be based on either co-operatives (in the case of larger industries), or private firms (with smaller ones). In either case, though, strictly market relations would have to determine their activities.

The state would try to influence economic activity, but would not impose its will. It would act to 'keep a careful watch on inflationary pressures' and 'avoid excess demand'.

'Employment and unemployment are bound to represent problems. By manoeuvring with taxes and subsidies, and through public works and (labour intensive) social services, it should be possible to keep unemployment at tolerable levels, but it is futile to imagine it can happen automatically. Counter-cyclical measures may well be needed.'

'Incomes policies would have to represent a compromise between the pressures of the labour market and what would be regarded as excessive income differentiation.'

'Major investments must clearly be the central planners responsibility, taking into account regional and employment problems as well as the expected demand for goods and services, including foreign trade.' [86]

If you ignore, for a moment, the fact that 'non-natural monopoly' enterprises are to be owned by co-operatives and not by private corporations, these prescriptions are those of the right wing social democrat ideology which prevailed in the labour

movements of Western Europe a quarter of a century ago and which were employed not only by 'left' governments but even many conservative ones (for instance, the Macmillan and Heath governments in Britain). The conservative Christian Democrat government in Italy went even further than Nove suggests in establishing government ownership of industry. Yet none of these governments was able to cope at all adequately with the sudden onset of economic crisis in the mid-1970s. For such measures do not provide any mechanism capable of coping with the pressures exerted by the world system in its present phase of development. State directed capitalism has had its day as much as bureaucratic state capitalism.

Nove's addition to the old prescriptions, the co-operatives, does not change matters. The whole experience of co-operatives in the West and in 'enterprise collectives' in Yugoslavia is that they end up operating on exactly the same principles as private corporations. How could it be otherwise, when survival depends on them competing with each other for markets and on paying interest to banks? They are just as much subject to the absurd boom-slump cycles as private corporations. The drive for markets leads to the same pressures for capital accumulation at the expense of living standards, the same inability of their workers really to influence things leads to the same loss of interest in their activities. And a strata of managers emerges within the co-operatives indistinguishable from those in private industry. As Marx put it in **Capital**, the 'anarchy of the market' gives rise to 'the tyranny of the factory'.

There is, therefore, no reason to expect Nove's measures to be any more effective than, say, the measures taken in the early years of the last Labour government or in the early years of the Mitterrand government in France. An economy based on these policies would soon be subject to pressures to make wage cuts, to slash the welfare state, to let unemployment soar and to turn from state control towards monetarism. Those who did not like such measures would be compelled to proceed much further in making inroads into the present system, for they would be compelled to join us 'fundamentalists' in fighting for revolutionary measures to exercise real control over the market.

Nove would prefer things to stay as they are than to countenance this. He does not even seem to see his own 'feasible socialism' as achievable in Britain:

What relevance has all this for devising a 'coherent socialist strategy for Britain in the eighties'? Alas the answer could well be 'nothing', or very little. There is no electoral mileage in proposing to nationalise major sectors of industry ... Personally I would not favour ... a programme to transform society ... and am strongly against the 'hard left'. [87]

For workers there is an alternative which is not open to those who look to reform, East and West. It is to take control of the means of production themselves and to use this control to change the whole dynamic of the economy, ending accumulation for accumulation's sake.

The ideology of the market is very powerful today. It is pumped out by the media in Poland, Hungary, and Yugoslavia as well as the West and is endorsed by some of the most powerful figures in the USSR and China. It gains further power from the way in which the traditional Stalinist, Fabian and import substitutionist alternative have

been discredited in practice. Yet at every high point of struggle anywhere in the world system sections of workers and intellectuals have begun to go beyond it in practice, to demand things that cannot be granted either by state monopoly capitalism or by bureaucratic state capitalism. They have begun to fight back against the way some people live in luxury while others barely make do, they have begun to resist 'solutions' to the crisis which hammer hardest those who are worst off, they have begun to challenge the absurd priorities and the waste of the enterprises in which they work. They have begun to demand some alternative to the drab alienation that confronts them in their labour.

In raising all these issues, they have begun, spontaneously, to raise another question as well – whether their own class organisation would not lay a better basis of running society than the present system.

In Eastern Europe elements of this alternative have repeatedly emerged. It has often been referred to as 'social self management' (as opposed to the individual 'self management' of factories proposed by those who want to break the economy down into competing units), you find people groping towards the alternative as the workers councils fought back against Russian occupation in Budapest in November 1956. [88] You find some of the same trends again in dark days after the invasion of Czechoslovakia in August 1968 as radical elements began to see factory councils as a weapon to be used against those intent on re-establishing the old order. It was this vision which began to gain support from the most radical students and intellectuals in Yugoslavia in the years 1968–72. It was this project which motivated that current in Solidarnosc in the Lodz region of Poland which, in the autumn of 1981, discussed how to seize power in the factories and to produce the things that people desperately needed. [89]

Those who talk of reform are prepared to use certain carefully controlled mobilisations of workers in order to prise open space for their own schemes. But they fear the spontaneous upsurges of workers lest these burst through the limitations on change which they deem necessary. So it was that in Poland in 1981, as the crisis of the system got worse, the reform oriented leaders of Solidarnosc like Walesa tried to stop workers taking action. They did their best to end local general strikes, like those which demanded that Ministry of Interior health centres and party bureaucrats hunting lodges be put at the disposal of the mass of the population. They had nothing to say to women workers who struck against desperate food shortages. Only those who based themselves on a rejection of the bureaucracy and the market could see a way of giving such spontaneous flare ups of anger a positive direction.

In the USSR the workers movement is, at the time of writing, still at a much lower level than in Poland in 1981. Yet already there is mass support in one part of the country or another for demands which go beyond anything the market reformers can satisfy. Struggles against industrial pollution, against nuclear power, against the economic devastation of whole regions, for decent health and an immediate improvement in food supplies all require a massive shift in resources away from accumulation. Those who look to market reforms cannot contemplate such a massive reallocation.

A recent issue of **Moscow News** tells of the movement which has been developing in just one Russian city, Yaroslav. The leaders of the regime's Regional Executive Committee have now been forced 'to answer peoples' bitterest questions before an audience of thousands in the Shinnik Stadium':

The tradition was born on 8 June 1988, when the townspeople gathered at the monument to the Russian poet, Nikolai Nekrassov, to protest the election as a delegate to the 19th Party Conference of F. Loshchenkov, the man who headed the regional committee for 25 years. Loshchenkov did not become a delegate to the conference, but meetings in downtown Yaroslavl went right on: people continued to meet to discuss pressing problems.

Today meat consumption in the region is below the national average – Some 103,000 families, roughly a quarter of the region's urban population, are waiting for housing. Eighty percent of Yaroslavl's territory belong to the 'hazardous pollution' category. Every day 25,000 people are too ill to go to work.

Naturally at the meeting problems were not always elegantly expressed. There were categorical resolutions, including demands to 'transfer the dachas of the CPSU regional committee to a TB sanatorium for children' (now housed in a disused monastery). Possibly it is because of such demands that the Popular Front has been accused of 'subjectivism', 'playing with unhealthy emotions' and 'extremism'.

The Popular Front launched the initiative to organise food stores for pregnant women and young mothers, recently approved by the regional committee, and the 50 percent increase in buck wheat and oatmeal consumption for the regional children's hospital.

A Popular Front workers' club was set up at the engine works, the largest in Yaroslavl. The club came into protracted conflict with the administration over 'black Saturdays'. Seven 'all hands' Saturdays were not enough to compensate for the work failures which had turned into a norm. The club's sponsors argued that the causes of the failures should be eliminated instead of

compensated for at the expense of workers' free time.

In late October, party committee deputy secretary Smirnov said that the workers' club was unnecessary at the plant and asked party organisers to tear off workers' club fliers.

Yet it is clear that the club organisers face a problem. Their commitment to market oriented reform clashes with their desire to involve large numbers of workers in activity:

Support for perestroika is not automatic. The ideas of cost accounting in intra and inter shop relations has divided workers. Those with less skill and diligence may earn less than is paid according to work done. There are many such people and their needs should be taken into account ... The economics classes at the club do not attract people. They are too dull and too formal. [90]

In the West the movement has frequently reached out for similar goals. At the height of the general strike in France in 1968, a minority of people, but a minority many tens of thousands strong, began to talk about how they could transform society in its totality. The movement of 'contestation' involved not just workers, but technical experts, architects, film makers, even professional footballers challenging the priorities imposed on their labour by the hierarchies of rating society and market forces that stand behind them. There was brief glimpse of the vast array of social forces that could be mobilised behind the working class in a real attempt to recast the existing structures of society.

In Portugal 1974–75 there was another such glimpse, as workers occupied their factories, forcing the state to nationalise them, as journalists and broadcasters seized control of the media from the old fascist appointees and ran them under their own control for many months, as soldiers began to question the orders of the officers, as agricultural labourers seized the land from their masters and the homeless took over the empty palaces of the rich.

There are many people, in many parts of the world, who want to fight for deep seated social change but are bemused by the ideology of the market. It is an ideology which must continually weaken their ability to struggle and to mobilise other people for struggle. That is why it is necessary to reject the desperate, despairing and well-paid pessimism of the Nove school.

Notes

1. *Socialism – feasible and viable?*, **New Left Review** 153, September–October 1985, p. 43.
2. Nove, **The Economics of Feasible Socialism** (George Allen & Unwin, 1983), p. 75.
3. **ibid.**, p. 76.
4. **ibid.**, p. 48.
5. **ibid.**, p. 49.
6. **ibid.**, p. 19.
7. **ibid.**, p. 30.
8. **ibid.**, p. 69.
9. **ibid.**, p. 69.
10. **ibid.**, p. 43.
11. **ibid.**, p. 33.
12. **ibid.**, p. 75.

13. **ibid.**, p. 25.

14. **ibid.**, p. 43.

15. He was attacked in a debate in **Economic Affairs**, the journal of the right wing pro-market Institute of Economic Affairs, for being an enthusiast for state intervention to correct the market; his reply was to say that if he was attacked by the left for being too enthusiastic about the market and by the right for not being enthusiastic enough, then he must have the correct position.

16. See Marx's criticism of Ricardo for ignoring fixed capital in *Ricardo's theory of accumulation and a critique of it*, **Theories of Surplus Value**, vol. 2, Moscow 1968, p. 470 *et seq.*

17. **op. cit.**, p. 40.

18. See, for example, **Theories of Surplus Value**, vol. 2, p. 468, pp. 494–5, pp. 500–503

19. See, for instance. J.M. Keynes, *The General Theory of Employment, Interest and Money*.

20. For one account of Ricardo's discussions on this point, see Eric Roll, **A history of economic thought**, (London 1962), pp. 189–191.

21. Quoted in D.M. Gordon, *Up and down the long roller coaster*, in **US Capitalism in crisis**, New York 1978, p. 23.

22. Fritz Sternberg, **Capitalism and Socialism on Trial**, London 1951, p. 28.

23. Kenneth Galbraith, **American Capitalism**, p. 65. For a fuller account of the slump than there is room for in this article, see my **Explaining the Crisis**, (London 1984), pp. 50–75.

24. **Wall Street Journal**, 9 November, 1988.

25. See R.J. Gordon's comments on the US power generating industry, in comments on Bailey, *Productivity and the services of labor and capital*, **Brooking Papers**, 1981 : 1, p. 54.

26. **Wall Street Journal**, 26 October 1988.

27. **Wall Street Journal**, as above.

28. Quoted in **Wall Street Journal**, **ibid.**

29. Wall Street Journal, *ibid.*

30. For a much fuller elaboration of this part of the argument, see Mike Haynes, *The Nightmare of the market*, **International Socialism 2 : 41.**

31. Theories of Surplus Value, p. 495.

32. Joan Robinson, *The Relevance of Economic Theory*, in Jesse Schwartz (ed.), **The Subtle Anatomy of Capitalism**, Santa Monica 1977, p. 17.

33. Theories of Surplus Value, vol. II, p. 527.

34. There were \$267 bn. of mergers and acquisitions in the first nine months of 1988 in the US and Western Europe, according to the **Financial Times**, 21 November 1988.

35. For much fuller discussion on these matters see M. Kidron, **Western Capitalism Since the War** and **Capitalism and Theory**, London 1974, and my own, **Explaining the Crisis**, London 1984.

36. L. Corey, **The Decline of American Capitalism**, London 1935, pp. 170 and 163.

37. Joseph Gillman, **The Falling Rate of Profit**, London 1956.

38. *Waste: US 1970*, in **Capitalism and Theory**, p. 56. Kidron's criterion of 'waste' is, he insists, a narrow one. It is what is wasted from the point of view of capital itself – or at least from the point of view of those who base themselves on the notion of the classical bourgeois political economists of capitalism as a 'productive' system in contrast to the non-productive systems that went before it. Since it is this notion of capitalism as 'productive', 'efficient' and 'non-wasteful' that underlies Nove's whole arguments, the figures are an indictment of much of his argument.

39. Figures given in **Monthly Review**, *Review of the Month*, May 1983.

40. H. Liebenstein, *Allocative inefficiency v. x-inefficiency*, **American Economic Review**, June 1960.

41. London 1987.

42. E.J. Patrick Wright, **On a clear day you can see General Motors**, p. 4.

43. **op. cit.**, p. 4.
44. A. Schonfield, **British Economic Policy Since the War**. Harmondsworth 1959, pp. 41–43.
45. **Wall Street Journal**, 11–12 November 1988.
46. **Financial Times**, 21 November 1988.
47. Sidney Lens, **The Military Industrial Complex**, p. 6.
48. See, for instance, *The Pentagon takes initiative in war against chip imports*, **Financial Times**, 27 January 1987.
49. H. Sherman, *Class conflict and macropolicy*, **Review of Radical Political Economy**, Summer 1976, p. 56.
50. D. Blackie, **Socialist Worker**, 9 July 1988, a review of R. DeLamarter, **IBM's use and abuse of power**, London 1988.
51. This was said to be part of the competitive strategy of the large newspaper owners in Britain in the 1960s and 1970s.
52. G. Turner, **The Car Makers**, Harmondsworth 1964, p. 65 and p. 70.
53. **Financial Times** 20 January 1989.
54. Clashes which reflect the more general contradiction between exchange value and use value.
55. The expression is that used by Tony Cliff, in his **State Capitalism in Russia**.
56. Halberstam, p. 566.
57. Turner, **The Car Makers**, pp. 157–9.
58. **Observer**, 15 January 1989.
59. **Capital, vol. 1**, Moscow 1961, p. 601.
60. Turner, **op. cit.**, p. 171 and p. 169.
61. Although, it should be stressed, there is no evidence that the quality of goods for the ruling class itself are inferior. See, for example, the account by S. Barashabin, leader of a team of fitters at the Gorky motor vehicle works, of the high quality – and cost – of work on the Chayka limousine, **Sotsialisticheskaya industriya**, 11 November 1988.

62. Nove's arguments about 'consumer choice' are very widely accepted, even by some of those people who think the Russian system is more progressive than Western capitalism. So, for instance, Tariq Ali writes that: 'A worker in Sao Paulo or Seoul or Delhi, not to mention Calcutta or Mexico City, might be earning less than a Soviet car worker in Togliattigrad or a steelworker in Sverdlovsk ... let the working man in Calcutta or the woman selling pottery on a street stall in Mexico City have a far greater choice in what they can buy ... Simple items that consumers need: razor blades, toilet paper, toothpaste, batteries, spare parts of all kinds, a variety of coloured materials that could be used to make clothes... the abundant supply of transistor radios ... Then there is the choice of food.' (Tariq Ali, **Revolution from Above**, London 1988, pp. 79–80) One can only be amazed at the ignorance of conditions East and West to be found in these remarks. Anyone who has strayed outside the luxury hotels in cities like Delhi or Calcutta should be aware that the great mass of Indian workers and peasants do not use toilet paper and that there is a massive black market in low level consumer goods like electronic watches and cameras smuggled in from Sri Lanka, and anyone who deigns to write a book about Russia should know that the great majority of Russian workers not only have radios, but also television sets and fridges! **Narodnoe khoziastvo** shows that in 1984 85 percent of families in the USSR had TVs, 91 percent fridges and 96 percent radios – all much higher figures than for India!

63. C. Cullimore, managing director of Dewhurst meat shops, quoted in the **Independent**, 6 January 1989.

64. And by some socialists who accept 'new class' theorists of the Eastern bloc. See, for instance, Frank Furedi's claim in **The Soviet Union Demystified**, London 1986, p. 148, that, 'The efficiency of the profit motive lies in its capacity to regulate the distribution of the productive forces. The drive for profits leads to the elimination of unprofitable activities and the encouragement of the concentration of resources in sectors that are efficient from a capitalist point of view.' With such a glamorised view of the market, it is no wonder that Furedi concludes that waste in the USSR stops it being capitalist.

65. Figures given in Leibenstein, **op. cit.**

66. Marx, **op. cit.**, pp. 515–6 and p. 496.

67. Marx, p. 496.

68. Marx, as above, p. 529.

69. See Halberstam, **The Reckoning**, Bantam 1987, p. 183.

70. Report for Fukoku Mutual Life Insurance Company, quoted in **Guardian**, December 1988.

71. What he is, in fact, hinting at is the Cambridge School's exposure of a central theoretical flaw, not just in established theories of investment, but in the whole logical structure of the neo-classical, marginalist economic model that Nove relies. Essentially, the Cambridge argument is that marginalists deduce the value of commodities from the marginal value of capital used in producing them, and the value of capital from the value of commodities. The whole theory is shown to be based on a simple tautology and so explains nothing. For more detailed elaborations of the argument, see Joan Robinson, **op. cit.**, and Alfredo Medio, *Neo-classicals, neo-Ricardians and Marx*, in Jesse Schwartz (ed.), **op. cit.**, pp. 386–390. For Nove to take up these arguments would be to show the complete hollowness of his own.

72. A. Nove, p. 130.

73. A. Nove, p. 133.

74. For more on this, see Mike Haynes, *Nightmares of the market*, **op. cit.**

75. A. Nove, p. 141.

76. K. Marx, **Critique of the Gotha Programme**, Moscow 1971, p. 16.

77. A. Nove, **op. cit.**, p. 52.

78. K. Marx, **Critique of the Gotha Programme**, **op. cit.**, p. 16.

79. 1922, Fourth Comintern Congress.

80. **Bulletin of the Opposition**, Nov. 1932.

81. Marx and Engels in the **Communist Manifesto**.

82. This scenario is no mere conjecture: there are many indications that it is precisely what has been happening in recent

months as reforms have relaxed central control over many of the USSR's enterprises.

83. All quotes and figures from **Sotsialisticheskaya industriya**, 5 January 1988.

84. Nove, **Economics of Feasible Socialism**, p. 210.

85. *Planning and markets*, in Peter Nolan & Suzanne Paine (eds.), **Rethinking Socialist Economics**, Cambridge 1986.

86. *Planning and markets*, **ibid.**, p. 80.

87. *Planning and markets*, **ibid.**, p. 82.

88. For an account of some of the ideas that prevailed and sources on where to find the debates, see my **Class Struggles in Eastern Europe**, London 1988, Chapter Seven.

89. See the articles collected together in the volumes Carlo Boffito & Lisa Foa (eds.), **La crisi del modello sovietico in Cecoslovacchia**, Turin 1970, Pierre Broué (ed.), **Ecrits à Prague sous la censure**, Paris 1973, and Vladimir Fisera (ed.), **Workers Councils in Czechoslovakia**. See also my discussion on the arguments in **Class struggles in Eastern Europe, op. cit.**, Chapter Eight.

90. **Moscow News**, 15 January 1989.
