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## DEVELOPMENT

### Zambia: Less Than \$1 Means Family of 6 Can Eat

2002-02-28, Issue 55

<http://pambazuka.org/en/category/development/6112>



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She is sitting on a warped stool in a roofless market with the ferocious midday sun bearing down on her. A sinewy woman with deep-set eyes and sharp features that jut sphinxlike from under her black head scarf, Rose Shanzi awoke with a start this morning, and the primordial question that jarred her from sleep is stalking her again: Will she and her children eat today?

#### Less Than \$1 Means Family of 6 Can Eat

By Jon Jeter  
 Washington Post Foreign Service  
 Tuesday, February 19, 2002; Page A01

MARAMBA, Zambia -- She is sitting on a warped stool in a roofless market with the ferocious midday sun bearing down on her. A sinewy woman with deep-set eyes and sharp features that jut sphinxlike from under her black head scarf, Rose Shanzi awoke with a start this morning, and the primordial question that jarred her from sleep is stalking her again:

Will she and her children eat today?

It is always a compound question. With five children to feed, often there is not enough food to go around; tough choices have to be made. Still, all the answers Rose is searching for today lie in the neat rows of tomatoes arranged by size, ripeness and price on the wooden table standing at eye level before her.

"If I sell my tomatoes, we will eat today," she is saying simply. "If I don't, we don't eat."

To buy enough food to get her family through another day, Rose will need to earn roughly 75 cents.

Day in and day out, survival for one-fifth of the world's population turns on what others consider loose change. Much as one woman in a remote town in southern Africa tries to keep hunger at bay for just a little longer, so too are 1.3 billion others throughout the developing world who earn, on average, less than \$1 a day.

The percentage of the world's population living on less than \$1 a day is smaller than it was 10 years ago. But in absolute terms it has hardly budged in more than two decades, actually inching up slightly from its 1990 level, according to World Bank statistics, based on household surveys around the globe.

In this hardscrabble town on Zambia's southern border, nothing comes easily. The 75 cents that Rose needs to make ends meet is about 50 percent more than she ordinarily earns from her vegetable stand in a 12-hour day.

Moreover, the competition is stiff. Rose is one of no fewer than 4,000 vendors peddling everything from double-A batteries to zebra-skinned love seats at Maramba's sprawling market. At least a few dozen women here sell tomatoes just as red and ripe as Rose's.

And although the tomatoes cost just a few pennies per handful, customers are hard to come by. Jobs have evaporated since duty-free shipments of foreign-made clothes began pouring into Zambia a decade ago, shutting down virtually all of the textile factories here and in the nearby city of Livingstone.

"No one has money anymore," Rose is saying as she sizes up a woman who handled her vegetables but left without buying anything. "The town has no buying power. Selling anything is like squeezing blood from a stone."

The littlest of her children, 3-year-old Betty, finished off the family's last dollop of porridge this morning. No one else in the household has eaten in nearly a day,



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*Mahmood Mamdani*  
 'On the face of it, life in the camp presented a sharp and favourable contrast to the open terror of living in Uganda. But it was the Kensington camp, and not Amin's Uganda, which was my first experience of what it would be like to live in a totalitarian society.' *Mahmood*

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leaving Rose unsure if the knot in her stomach is hunger, or anxiety, or both.

She has not made as much as a cent today, and she's been sitting here for more than two hours now. There have been luckless days when she's gone home with nothing, and it is that possibility that preoccupies her now. Eyes shut, hands clenched tightly together in her lap, Rose bows her head in prayer. Resurfacing, she is smiling weakly, rejuvenated momentarily by faith, inspired by fear.

"If you are a mother," she is saying, her gaze fixed on the middle distance, "you don't know what suffering is until you have watched your babies go hungry. I have suffered many times."

Whether in Africa, Asia, Latin America or the former Soviet Union, surviving on less than \$1 daily is like living in a time warp, a universe of hand-to-mouth existences wholly untouched by technology's advance, the Berlin Wall's collapse, the torrents of cash flowing from one increasingly borderless country to another in this new epoch of surging global trade.

And nowhere has time stood as still as it has here: sub-Saharan Africa.

#### New Trade Policies

Following decades of colonial misrule and early experiments in socialism, nearly 40 African governments have adopted laissez-faire trade policies, submitting to the so-called structural adjustment programs of the World Bank and International Monetary Fund -- which reduce spending on public services and increase privatization -- in hopes of attracting foreign investment and loans.

Yet while sub-Saharan Africa's 640 million people represent about 10 percent of the world's population, the region accounts for only 2 percent of all international trade, less than it did during the last days of colonialism 50 years ago.

Zambia, a landlocked, butterfly-shaped nation of 10 million people, is as poor as Africa gets. Eight of every 10 Zambians live on less than \$1 a day. Ruled by British mining concerns for more than a quarter-century, then colonized by the British in 1924, Zambia won independence 40 years later.

For the 27 years that followed, President Kenneth Kaunda pursued economic policies that joined government and the economy at the hip. Daunting trade barriers, massive state subsidies and onerous business regulations protected and steered a fragile economy heavily reliant on a single commodity: copper.

Inefficient and unproductive, propped up by foreign loans and dragged down by plunging copper prices, Kaunda's "humanist" system slid inexorably into collapse. Fed up with constant shortages of food and fuel and with Kaunda's authoritarian leadership, Zambians forced their independence hero to allow elections, then voted him out in 1991 in favor of a trade union leader promising reform, Frederick Chiluba.

Under Chiluba, Zambia eliminated tariffs on foreign goods, weaned farmers off practically all government subsidies and support, and sold more than 300 state-owned enterprises, including the country's copper mines. Virtually overnight, a socialist command economy had been replaced by a deregulated, free-market model.

The payoff so far is an economy fueled by little more than grit and guile, practically devoid of valuable commodities. Since 1992, Zambia has shed nearly 100,000 jobs; last month, mining giant Anglo American abandoned its attempt to make its Zambian copper mines profitable, putting 4,000 jobs in peril. Less than 10 percent of working-age Zambians work full time in the formal sector, leaving the jobless to sell whatever they can get their hands on at markets like the one here in Maramba -- or on the streets after dark. Police say prostitution has skyrocketed since 1992, especially in urban hubs such as Lusaka, Livingstone and Kitwe.

"You won't find many Zambians old enough to remember it who would want to return to the Kaunda era," said Fred M'membe, executive editor of the Post, an independent newspaper in Lusaka. "But you won't find anyone who will say that we're better off now than we were 10 years ago. No one alive today has ever seen such poverty. How do you run a modern economy when the vast majority of your earners are taking home pennies a day?"

Mamdani  
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Yash Tandon

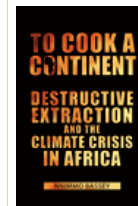


This pamphlet from Pambazuka Press shows that 'development aid' is not what it purports to be - the effects of actions of well-meaning allies in the North who support aid to Africa for reasons of ethics or solidarity are,

unfortunately, the opposite of their good intentions.

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#### TO COOK A CONTINENT

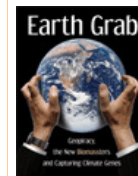


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'Mama, I Am Hungry'

"It seems I just woke up one morning and everything was gone." Rose is explaining how she got into the business of selling tomatoes.

That was four years ago, after her husband lost his job as a firefighter when the government began restructuring the workforce. That was after the last of the nearly 40 clothing manufacturers in Livingstone and Maramba shut down, unable to compete with secondhand goods pouring in from Europe and the United States.

What was she to do? She was a 40-year-old woman with a high school diploma, with four children and another on the way. There was no work to be had, so she did not look. There was no dole, so she could not wait. There was no charity, so she could not beg.

"If I cry or go to my neighbors, what good would that do?" Rose is saying. "They have nothing either. They are suffering just as much."

Friends who had lost their jobs at the local textile factories had begun selling vegetables and charcoal that they purchased from wholesalers. Rose decided to join them.

The number of vendors at the Maramba market, which opened in 1952, remained constant for nearly 40 years, then tripled over the next 10 as unemployment swelled.

"My husband was dying along with the town," Rose is saying of her husband's slow disintegration from kidney failure. He died a year ago, a broken man in a broken town.

"I think not being able to support his family is what really killed him. He was a proud man. He hated not being the breadwinner. But it was the only way we could make it. All of my neighbors work here at the market. For most of us, it is the only way to survive."

She is saying this when a lithe figure with braided hair and a featureless, torn dress appears as if dropped from the sky, hurtling into Rose's lap with playful fury.

"Mama, I am hungry," 10-year-old Ennelis is saying as Rose gathers the girl up in her arms. It is the girl's summer vacation, and she awoke to a house with no food.

"Then help me work," Rose is saying to her.

The girl is like a talisman today. Within 30 minutes of her arrival, three customers appear at the tomato stand, forking out about 8 cents apiece for a handful of the medium-size tomatoes. Ennelis, who worked the vegetable stand alone for three weeks last year when her mother was bedridden with malaria, rips scraps of paper from one of Zambia's independent newspapers, the Monitor. An editorial laments the failure of Chiluba's economic policies. Ennelis wraps the tomatoes inside.

Rose hates to count money during the day. She is afraid that there are too many idle young men around waiting to snatch a day's revenue from some unsuspecting woman's hand.

So she usually hides the crumpled, faded bills underneath the plain, white doily on her table. The newspaper provides Rose with both something to do in between customers and an idea of how business is going that day.

"If you are just reading bits and pieces of a story at the end of the day, you have made good money," Rose is saying. "If you have a lot to read at the end of the day, then you have not made very much money. If I have used up most of my newspaper today, I will be able to buy maybe two small bags of maize meal, and that is all I need to make me happy today."

Rose's Budget

Ask just about anyone in southern Africa what it means to go hungry, or what constitutes a food shortage, and they will say they are without "maize meal," or "mealie meal," depending on the country. It is all the same thing: the region's all-purpose staple, used to make porridge for breakfast and nshima for lunch and dinner and any meal in between.

#### AU MONITOR

This site has been established by Fahamu to provide regular feedback to African civil society organisations on what is happening with the African Union.

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#### PERSPECTIVES ON EMERGING POWERS IN AFRICA: DECEMBER 2011 NEWSLETTER

Deborah Brautigam provides an overview and description of China's development finance to Africa. "Looking at the nature of Chinese development aid - and non-aid - to Africa provides insights into China's strategic approach to outward investment and economic diplomacy, even if exact figures and strategies are not easily ascertained", she states as she describes China's provision of grants, zero-interest loans and concessional loans. Pambazuka Press recently released a publication titled *India in Africa: Changing Geographies of Power*, and Oliver Stuenkel provides his review of the book. The December edition available [here](#).

The 2010 issues: [September](#), [October](#), [November](#), [December](#), and the 2011 issues: [January](#), [February](#), [March](#), [April](#), [May](#), [June](#), [July](#), [August](#), [September](#), [October](#) and [November](#) issues are all available for download.

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Nshima -- called sadza in Zimbabwe, pap in South Africa -- is the color of grits, the consistency of polenta. Zambians eat it with just about everything. Sprinkled with groundnuts, chopped okra or maybe just some sugar, it is a meal in itself when little else is available.

"If you don't like nshima," said Judith Namakube, a vendor at the Maramba market who sells oranges and other fruits, "you aren't Zambian."

Relatively speaking, Rose does better than many other Zambians. Her husband left her with a two-bedroom home. She has no electricity, relying on kerosene lamps and candles for light, charcoal for heat and fire. But with a tap in her back yard, she does have access to clean water, saving the time it would take to fetch it from faraway wells or dealing with waterborne illnesses such as cholera.

And Rose has been able to make the most of her meager earnings by joining a relief agency project that provides small loans to poor entrepreneurs. The money is not much, maybe \$20 every six months. But it tides Rose over in particularly rough times, ensuring that she has a steady supply of tomatoes to sell.

"It is not a lot of money," said Joshua Tom, a project coordinator for CARE, the U.S.-based relief agency that runs the microlending fund here. "But it can mean the difference between life and starvation for a lot of people here."

Living on \$1 a day makes budgeting difficult, but also reduces it to a few simple priorities.

Of Rose's profits from the stand -- roughly \$12 to \$18 per month -- half goes for food. About \$2 goes for the fees charged by Ennelis's public school. She pays \$2 a month for water, another \$1.50 in property taxes and 50 cents for the government's health insurance plan. Whatever is left goes to pay off her loan from CARE.

Health insurance for the whole family would cost double what Rose pays for herself, so whenever other family members get sick and need to go to the clinic, they simply pretend to be Rose. That works fine for Rose and her four daughters, but when her 20-year-old son came down with malaria last year, employees at the local clinic wanted to know how he came to be named for a woman.

"He told them that his parents really, really wanted a girl," Rose is saying, dabbing her eyes while laughing at a rare triumph.

Water, education and health care were free during most of Kaunda's rule, and it rankles her that she now has to pay for basic services.

"That's money I could spend on meat," Rose is saying testily. The family eats meat only once a year, usually at Christmas when Rose splurges. "It's rubbing salt in our wounds to take jobs away from the people and then make them pay for things they cannot afford because they're not working."

Another customer wanders by, followed by another maybe an hour later. By 3 p.m., Rose has earned a little more than half of what she needs to buy two three-pound bags of maize meal, meaning that the market's end-of-the-day rush will make or break her. The few people in town with jobs usually stop at the market on their way home, but it's anyone's guess whether they will need any tomatoes or if they will choose Rose's over those of the dozen or so other vendors who sell them.

Still, Rose is feeling confident. Perhaps more important, she wants Ennelis to feel confident, safe, to believe that she will have food today.

"Children should not live with such grown-up worries," she will say later.

So she gives the girl the equivalent of about 12 cents and sends her off to buy vegetables for this evening's nshima. An act of faith.

"Pick out what you want to eat with the nshima and take them home for you and your sister to chop," she is saying to Ennelis, whose right hand is outstretched in anticipation. She skips off happily.

#### Enough for Dinner

The market is a hive, snatches of color and sound and chaos that flit across the landscape like reels in a movie: young men pushing wheelbarrows; an old toothless man holding a squawking chicken in a plastic bag; barefoot children weaving

through the vendors' stands, chasing one another; women squinting in the sun from their misshapen stools.

Rose is beckoning a boy to fetch her a cup of tea for a nickel. It has been nearly 24 hours since she last ate anything.

"This is what I usually have for lunch," she is saying. "It settles an empty stomach."

Then, a flurry of customers. Rose springs from her stool. A woman buys one of Rose's biggest tomatoes for about 12 cents. A young man in a tie buys another. A woman who attends the same church as Rose palms three of the small ones and hands Rose about 8 cents.

"Rose, I am skinny, but you are really getting skinny," she is saying as Rose wraps her tomatoes in newspaper. "You are going to look as old as me if you don't eat."

"This life we live makes us old before we are ready," Rose is saying as she hands the package across the table.

The sun is setting when Rose returns to her stool and retrieves the scraps of newspaper from underneath her table. She sizes up her surroundings and, seeing no signs of danger, pulls the wrinkled bills from underneath her doily. She melts into her seat while she counts:

Three thousand nine hundred Zambian kwachas. About 97 cents. Rose is smiling as she rises from her stool to go buy the maize meal that she promised her daughter, then start her 30-minute walk home.

"Ah," she is saying as she stretches her arms toward the sky, "today we are rich."

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## Thesis Statement

Within the present context of an ever-expanding capitalist order, the predominance of private property, developer autonomy, and the accelerated drive to capitalize on the production of built space, underscore the inherent deficiencies of conventional urbanism. Driven by economic imperatives, the ongoing dispersal and privatization of the urban morphology has subverted the goals and methods of urbanism to account for the implicit transferability of **ground**, i.e. the mobility of networks and functions that constitute the urban fabric. This transferability undermines the significance of intentional planning, giving way to temporal patterns of land-use, ownership, and revolving occupancies. Even as a property rights and zoning laws hold the ground, and a building holds the ground, the architectural dimension of transferability *exceeds* the ground.

This notion of transferability challenges former urban systems where relationships were understood as fixed objects on a neutral ground, and instead, identifies ground as an active element that is transitionally defined by local phenomena and information inherent to a place. Therefore, ground is no longer bound to the physical, empirical or formal specificities of place, but is instead perceived as a temporal landscape through which cultural information and urban patterns are transferred over time.

Although master plans provide a legal framework concerning land-use, the pace of urbanization today exceeds the ability of these guidelines to regulate the development of non-built space within the city, thus creating an opportunity for autonomic processes to occur. As in the case of many developing cities, this process is comprised of a network of private individuals, operating within the framework of land transition, who develop and construct semi-legal spaces that alter intentional urban plans i.e. *parasites*. Drawing on this phenomenon of *unofficial land markets*, this project proposes a reconstitution of the public realm, using the multiplicity of these parasite spaces, to create an urban landscape that integrates while at the same time subverts the architectural banality that capitalist tactics seem to elicit.

## Site

As a testing ground for this proposal, the city of Saigon, Vietnam has the potential to provide an understanding of this relationship through analysis of its layered socio-economic history in relation to its recent positioning within the global market. Recognized as a new, emerging market, Saigon is a city transitioning from a socialist command economy to that of a socialist market economy fueled by the liberalization of global capital. The previous dominance of the state economic sector is being democratized through non-state ownership and capitalist economic enterprise. As a result of this transition, two major organizational agents emerge: first, the state controlled public sector of big land and housing developers, participating through joint ventures with foreign investors, and second, an autonomic and non-controlled network of small-scale speculators and self-building individuals who are able to function within an administrative authority that remains unclear and undefined during this transition. Understanding the negotiation between these two agents, seen as complex and deeply interrelated systems, provides a strategy for figuring this project within an expanded urban network.

For a further understanding of how these organizational agents function, the administrative system in Saigon reveals an embedded bureaucracy comprised of a structure of various spatial units. At the top is the central government followed by a stratum of provincial and municipal units which are broken up into city districts with an elected committee, in this case, *The People's Committee of Ho Chi Minh City*. A strict hierarchy underlies the system from the governmental level to the local level, and although this administrative system appears centralized and pervasive, it accommodates autonomy at the local level due to the lack of horizontal management. For urban developers, this management system at the local level provides a critical connection to a network of social groups, with various degrees of access to power, which become the tool through which urban development is controlled, but even as the city government uses central organization to achieve collective stability, the inefficiency of the centralized system gives way to flexibility and enables processes from below to emerge

## Parasites

*The transitional socio-economic lifestyle in Saigon intensifies embedded cultural processes that expose a high degree of flexibility towards change. Rather than reducing urban complexity, which is a cultural preference in the West, Saigon exposes cultural preferences for absorbing urban complexity.*

As a trope for global modernization, rapid urbanization reveals the incapacity of the state to produce adequate housing to accommodate increasing densities brought on by urban migration. Unable to meet this demand, city authorities are forced to handle construction without permission in a flexible manner. Furthermore, construction approval by the central authority is a lengthy process, full of delays, giving networks of private individuals, speculators, land brokers, small enterprises, families, etc. the ability to operate within the long standing framework of land transitions, to speculate around new projects, buy land from farmers with help of local managers, and develop on it; thus altering intentional urban plans. Such a system produces an unofficial land market through which a formal recognized private sector is able to operate and produce housing for personal use outside the management of city authorities and initial zoning. This autonomic process of “semi-legal” production of housing and non-control over land use promotes the emergence of parasite developments that occupy all non-built space within the city centers.

Unique to a city like Saigon, this process is not only limited to the poor like in most developing cities, but is dominated by the middle and upper class of society, exposing an embedded cultural phenomenon that is heritage of the early redevelopment of the late 1950s in which several families living in one house sought to extend livable space through makeshift construction. As urban density continued to increase, the Vietnamese people popularized a method of self-built expansion called, *nhay du*, or parachute jumping, a famous expression in the city for the phenomenon of whole families who ‘jump’ out of their dense multi family conditions into gardens, streets and other non-built spaces to “extend” their living space without paying any attention to the environment or previous architectural appearance of the buildings.

It can be said that the patterns in Saigon developed within a culture of complete non-control, comprised of bottom-up processes, resulting in urban growth patterns shaped with forces that are internal to the society. These autonomic processes underline the inherent complexity of Saigon’s urban networks which express a degree of openness toward self-organization within the urban management system, and it is this relationship that generates local particularities. Through the analysis of these *unofficial land markets*, this project seeks to take advantage of the potential within this transitional socio-economic environment to intensify embedded cultural processes and local particularities, with the ambition of making more precise interventions that interact with the autonomic processes that are inherent to the city.

## Urban Morphology

Prior to the period of *doi moi*, or economic renovation, period beginning in the 1980s, urban movement was restrained to a minimum based on the socialist ideal of autonomous spatial units in which people lived and worked. Since *doi moi*, an easing on the previous socialist restrictions on population mobility, specifically, the mechanism of *ho khau* that once kept people in one place through government control of jobs, housing, and the provision of food subsidies, have largely been abandoned. This resulted in a large-scale, spontaneous migration from the countryside to the city as well as movements within city. Related to these migrations, new social groups and relations have emerged and social stratification has become more severe. As a result of these changes, Saigon has rapidly transformed into a highly complex urban environment exposing a mixture of Vietnamese culture with previous colonial and recent global urban models. Within the framework of this migration, Stephanie Geertman, in her essay, *The New Vietnamese City*, identifies four major urban transformations taking place:

1. Multi-nucleation – the reorganization of the city around multiple business nodes and service centers. This is in line with the transition of the city based on production to a city based on consumption. The commercial sector is promoted through urban state planning, which is comparable with other South East Asian cities that are seeing the development of large-scale grocery stores and shopping malls. Counter to this is the emergence of local trade network that has taken over the streets in and outside the city. Many informal commercial markets have emerged, for example, mobile markets that are based on bicycle and motorcycle circulation. These markets have distribution centers functioning at night in places where during the daytime another function will take place.



These markets existed before but are no longer underground operations due to liberalization.

2. Functional specialization - the increased separation of housing areas from manufacturing and commercial districts (this happened by clearing slum areas). These people were given plots of land to build their own house through the 'privatization of the land market' provided by the provision of long-term leases. This motivated people to move inside the dense city to seek more space and economic profit. Also emerging are new specialized industrial districts. During the command economy, industry was dispersed to promote live-work, now the trend is to move industry out of the central city and into outlying areas.
3. Zone planning - the establishment of large-scale development zones. To cope with rapid urbanization the Vietnamese government uses the tool of master planning to re-organize the city. The current process of master planning started in the early 1990s, and these zones have preferable conditions for foreign investors. These zones are massive planned areas designed to attract and utilize outside capital investment resources. The connection with the global market accumulated large amounts of global capital which helped to realize bureaucratic urban mega-plans that have proven to be successful in wiping out the past and local patterns by rudely cutting through the existing micro-patterns and making all urban areas looking similar.
4. Public areas -leisure time has become more important; citizens demand more comfort not only in material sense but also in experience. In the new consumer economy and with increasing incomes, semi-public commercial leisure spaces have developed. During the command economy, people had less leisure time, but had access to more spaces free of charge. Now public spaces have changed to semi-public spaces as a fee is charged to access the spaces. Thus, the use of these spaces becomes limited to more affluent citizens. These newly developed places are exploited by the city to generate profits and for global identity building. These spaces are not places suited for common citizen so they use streets, sidewalks, and even construction sites or formal spaces for leisure.

#### Urban Field Conditions

*How do we engage all the complexity and indeterminacy of the city through the methods of a discipline so committed to control, separation and unitary thinking? We thrive in cities exactly because they are places of the unexpected, products of a complex order emerging over time.*

The morphological transformations taking place in Saigon is in line with the understanding of the city as an urban field condition, and represents a trend that is common within developing cities in South East Asia. The urban field is understood as a dynamic system, characterized by forces rather than forms, and the transformations described previously, which include multi-nucleation, specialization, and dispersal determine the forces within this field condition. Field conditions are characterized by what Stan Allen describes as *bottom-up phenomena: defined not by overarching geometrical schemas, but by intricate local connections. Overall shape and extent of the parts are highly fluid. Form matters, but not so much the forms of things as the forms between things.*

Although it is evident that urban planning has had great difficulties in adequately addressing the complexities of urban life, there is little evidence that the discipline is adapting itself to the new field condition. Urban questions have usually simply been questions of large-scale form or fabric. As a major position of this project, instead of form, patterns of organization are to be addressed on the urban scale. Understanding the city as a field means accepting it being in a state of continual flux and continuous change. Thus, as a result of late capital, urban ground is now understood as a relationship of networks through which the flow of goods, money, people and information are transferred. Processes also flow through the urban field and influence the form of urban space i.e. public spaces. Such a field phenomenon is defined by simple local conditions and is in fact relatively indifferent to overall form and extent of the city, but certain agents, in this case, parasite developers, behave according to local conditions such as habits, tradition and consensus. Increasingly, these agents have become critical of their environment and want to be directly involved in planning the development of their district. Therefore, the grounding of this project is not through formal specificities of site, but through participation of the public.

#### Landscape Urbanism

*What constitutes public space in the contemporary city? Can the public sphere still exist in the urban context? Should public space be fought for by architects and*

*urban designers? Or, as Allen proposes, is it the landscape architects alone who have been quick to realize the potential of the empty spaces in our cities as a ripe terrain for change?*

*Public spaces have become a telenovela, and individual yet shared experience. Public space does not disappear but multiply, it loses its hierarchy and has become more temporary.*

As a strategy, the rise of landscape urbanism parallels the emergence of the city as a dispersed field condition in the late 20th century, and represents a thinking that has to do with ecology, infrastructure, and urbanism. Landscape urbanism, notably in Waldheim's formulation, embraces all of the indeterminacies of time, contingencies of site and aesthetic ambiguities that the functionalists sought to calculate away. Temporality and transience, traditionally attributed to nature and ecology, have now become an important aspect of designing public spaces in dispersed environments. For further understanding of these concepts, Stan Allen outlines the principles of landscape urbanism:

1. Connectivity - It's no accident that there is a parallel fascination in architecture and landscape for surface. Surface is the territory of landscape, and there is an idea that the warped surface promises total connectivity, doing away with architecture's vertical dimension, which has become associated with partitioned space. This is of course attractive but naïve. It becomes easy to fall into a false utopia of total connectivity, continuous flows, etc. This suggests closer attention to breaks, discontinuities and separations – and their social/programmatic value – in both landscape and architecture.
2. Indeterminate Program or multi-use - Here, too, there is this attractive idea that on an open field anything can happen – sports, festivals, demonstrations, concerts, picnics, etc. To my mind, it is something of an abdication of responsibility, a kind of loose thinking where it is possible to say don't worry about program. This approach can be seen analogous to the notion of the 1960s universal space – a space, in theory, where anything can happen, yet where, as was often the case, nothing happens. The architect's obligation to specificity and design remains.
3. Emergence - In both architecture and landscape there has been a fascination with self-organization and emergence, the notion that the architect supplies a kind of infrastructure and then you just let things happen over time. This is based on a loose appeal to the ideas of ecological succession. The idea that self-organization and emergence are associated with lack of specificity and lack of design is itself a misunderstanding. What an ecologists will tell you, on the contrary, is that emergence does not happen all by itself, in a vacuum. It's triggered by differences and imbalances in the initial conditions. In the urban landscape realm, where we are talking about artificial ecologies, you don't get emergence without very carefully designed initial conditions. The architect's obligation to design those initial conditions with a high degree of precision and specificity remains.

Drawing from the ideals of the Landscape Urbanist, this project seeks to develop an urban continuity, using the mechanism of parasite developments to reconstitute the public realm. The multiplicity of these agents, seen as a complex network, has the potential to create a temporal landscape through which cultural information and local processes are transferred over time. Methods include developing new forms of analysis capable of integrating disorder and an accelerated rate of change in to the production of space. This logic represents a shift from an emphasis on aspects of control, focused on locating geometric and functional order, to an emphasis on aspects of interpretation. With growing recognition of the urban field architectural objects tend to lose their traditional form and design process - we move from the one toward the many, from objects to fields.

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# Planned Economy

## Five Wikipedia Articles

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# Planned economy

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A **planned economy** is an economic system in which decisions regarding production and investment are embodied in a plan formulated by a central authority, usually by a government agency.<sup>[1][2]</sup> The justification for central planning is that the consolidation of economic resources can allow for the economy to take advantage of more perfect information when making decisions regarding investment and production. In an entirely centralized economy, a universal survey of human needs and consumer wants is required before a comprehensive plan for production can be formulated. The state would require the power to allocate the workforce, for setting production values and for overseeing the distribution system of the economy. The most extensive form of a planned economy is referred to as a **command economy**,<sup>[3]</sup> **centrally planned economy**, or **command and control economy**.<sup>[4]</sup> Implementation of this form of economy is called planification.

In such economies, central economic planning by the state or government controls all major sectors of the economy and formulates all decisions about the use of resources.<sup>[5]</sup> Planners decide what should be produced and direct lower-level enterprises to produce those goods in accordance with national and social objectives.<sup>[6]</sup>

Planned economies are in contrast to unplanned economies, i.e. the market economy and proposed self-managed economy, where production, distribution, pricing, and investment decisions are made by autonomous firms based upon their individual interests rather than upon a macroeconomic plan. Less extensive forms of planned economies include those that use indicative planning, in which the state employs "influence, subsidies, grants, and taxes, but does not compel."<sup>[7]</sup> This latter is sometimes referred to as a "planned market economy".<sup>[8]</sup>

A planned economy may consist of state-owned enterprises, cooperative enterprises, private enterprises directed by the state, or a combination of different enterprise types. Though "planned economy" and "command economy" are often used as synonyms, some make the distinction that under a command economy, enterprises need not follow a comprehensive plan of production. That is, a planned economy is "an economic system in which the government controls and regulates production, distribution, prices, etc."<sup>[9]</sup> but a command economy, while also having this type of regulation, necessarily has substantial public ownership of industry.<sup>[10]</sup> Therefore, command economies are planned economies, but not necessarily the reverse.

Beginning in the 1980s and 1990s, many governments presiding over planned economies began marketization (or as in the Soviet Union, the system collapsed) and moving toward market-based economies by allowing individual enterprises to make the pricing, production, and distribution decisions, granting autonomy to state enterprises and ultimately expanding the scope of the private sector through privatization. Although most economies today are market economies or mixed economies (which are partially planned), fully planned economies exist in the remaining few countries of Cuba, Libya, North Korea, Saudi Arabia, Belarus, and Myanmar.<sup>[11]</sup>

## Economic planning versus the command economy

Economic planning is a mechanism for resource allocation of inputs and decision-making based on direct allocation, in contrast with the market mechanism, which is based on indirect allocation.<sup>[12]</sup> An economy based on economic planning (either through the state, an association of worker cooperatives or another economic entity that has jurisdiction over the means of production) appropriates its resources as needed, so that allocation comes in the form of internal transfers rather than market transactions involving the purchasing of assets by one government agency or firm by another. Decision-making is carried out by workers and consumers on the enterprise-level.

This is contrasted with the concept of a centrally planned, or command economy, where most of the economy is planned by a central government authority, and organized along a top-down administration where decisions regarding investment, production output requirements are decided upon by planners from the top, or near the top, of the chain of command. Advocates of economic planning have sometimes been staunch critics of command economies and centralized planning. For example, Leon Trotsky believed that central planners, regardless of their

intellectual capacity, operated without the input and participation of the millions of people who participate in the economy and understand/respond to local conditions and changes in the economy would be unable to effectively coordinate all economic activity.<sup>[13]</sup>

Another key difference is that command economies are strictly authoritarian in nature, whereas some forms of economic planning, such as indicative planning, direct the economy through incentive-based methods. Economic planning can be practiced in a decentralized manner through different government authorities. For example, in some predominately market-oriented and mixed economies, the state utilizes economic planning in strategic industries such as the aerospace industry.

Another example of this is the utilization of dirigisme, both of which were practiced in France and Great Britain after the Second World War. Swedish public housing models were planned by the government in a similar fashion as urban planning. Mixed economies usually employ macroeconomic planning, while micro-economic affairs are left to the market and price system.

The People's Republic of China currently has a socialist market economy in place. Within this system, macroeconomic plans are used as a general guidelines and as government goals for the national economy, but the majority of state-owned enterprises are subject to market forces. This is heavily contrasted to the command economy model of the former Soviet Union.

## Planned economies and socialism

While many socialist currents advocated economic planning as an eventual substitute for the market for factors of production, some define economic planning as being based on worker-self management, with production being carried out to directly satisfy human needs, and contrast this with the concept of a *command economy* of the Soviet Union, which they characterize as being based on a top-down bureaucratic administration of the economy in a similar fashion to a capitalist firm.<sup>[14]</sup> The Command economy is distinguished from economic planning, and different theories for classifying the socioeconomic system of the Soviet Union exist; most notably a command economy is associated with Bureaucratic collectivism, State capitalism or State socialism.

Furthermore, planned economies are not unique to Communist states. There is a Trotskyist theory of permanent arms economy, put forward by Michael Kidron, which leads on from the contention that war and accompanying industrialisation is a continuing feature of capitalist states and that central planning and other features of the war economy are ever present.<sup>[15]</sup>

## Transition from a planned economy to a market economy

The shift from a command economy to a market economy has proven to be difficult; in particular, there were no theoretical guides for doing so before the 1990s. One transition from a command economy to a market economy that many consider successful is that of the People's Republic of China.

By contrast, the Soviet Union's transition was much more problematic and its successor republics faced a sharp decline in GDP during the early 1990s. One of the suggested causes is that under Soviet planning, price ceilings created major problems (shortages, queuing for bread, households hoarding money) which made the transition to an unplanned economy more difficult. While the transition to a market economy proved difficult, many of the post-Soviet states have been experiencing strong, resource-based economic growth in recent years, though the levels vary substantially. However, a majority of the former Soviet Republics have not yet reached pre-collapse levels of economic development.

Still, most of the economic hardship that struck many of the former East Bloc countries and the post-Soviet states comes from the program of shock therapy. The idea behind this program is to convert from a centrally planned economy to a market economy in a short space of time. This means mass-scale privatization, budget cuts and liberalization of economy and finance regulations. This shock therapy program was implemented in several former

communist states like Poland and Russia.

Iraq, after the fall of Saddam Hussein following the 2003 invasion of Iraq, is currently experiencing the transition from a command economy under Hussein to a free market economy.<sup>[16]</sup> Iran is currently privatizing companies.

## **Advantages of economic planning**

The government can harness land, labor, and capital to serve the economic objectives of the state. Consumer demand can be restrained in favor of greater capital investment for economic development in a desired pattern. The state can begin building a heavy industry at once in an underdeveloped economy without waiting years for capital to accumulate through the expansion of light industry, and without reliance on external financing. This is what happened in the Soviet Union during the 1930s when the government forced the share of GNP dedicated to private consumption from eighty percent to fifty percent.<sup>[17]</sup> As a result, the Soviet Union experienced massive growth in heavy industry.

The possibility of a digital planned economy was explored by Chile with the creation of Project Cybersyn, the project was a success in many ways but due to the lack of computer technology and need for constant human input was limited in comparison to modern and more advanced technology.<sup>[18]</sup>

## **Disadvantages of economic planning**

### **Inefficient resource distribution: surplus and shortage**

Critics of planned economies argue that planners cannot detect consumer preferences, shortages, and surpluses with sufficient accuracy and therefore cannot efficiently co-ordinate production (in a market economy, a free price system is intended to serve this purpose). This difficulty was notably written about by economists Ludwig von Mises and Friedrich Hayek, both of whom called it the "economic calculation problem". These opponents of central planning argue that the only way to determine what society actually wants is by allowing private enterprise to use their resources in competing to meet the needs of consumers, rather those taking resources away and allowing government to direct investment without responding to market signals. According to Tibor R. Machan, "Without a market in which allocations can be made in obedience to the law of supply and demand, it is difficult or impossible to funnel resources with respect to actual human preferences and goals."<sup>[19]</sup>

### **Suppression of economic democracy and self-management**

Economist Robin Hahnel notes that, even if central planning overcame its inherent inhibitions of incentives and innovation, it would nevertheless be unable to maximize economic democracy and self-management, which he believes are concepts that are more intellectually coherent, consistent and just than mainstream notions of economic freedom.<sup>[20]</sup>

Says Hahnel, "Combined with a more democratic political system, and redone to closer approximate a best case version, centrally planned economies no doubt would have performed better. But they could never have delivered economic self-management, they would always have been slow to innovate as apathy and frustration took their inevitable toll, and they would always have been susceptible to growing inequities and inefficiencies as the effects of differential economic power grew. Under central planning neither planners, managers, nor workers had incentives to promote the social economic interest. Nor did impeding markets for final goods to the planning system enfranchise consumers in meaningful ways. But central planning would have been incompatible with economic democracy even if it had overcome its information and incentive liabilities. And the truth is that it survived as long as it did only because it was propped up by unprecedented totalitarian political power."<sup>[20]</sup>



## Fictional portrayals of planned economies

The 1888 novel *Looking Backward* by Edward Bellamy depicts a fictional planned economy in a United States c. the year 2000 which has become a socialist utopia.

The World State in Aldous Huxley's *Brave New World* and Airstrip One in George Orwell's *Nineteen Eighty Four* are both fictional examples of command economies, albeit with diametrically opposed aims: The former is a consumer economy designed to engender productivity while the latter is a shortage economy designed as an agent of totalitarian social control. Airstrip One is organised by the intentionally sarcastically named Ministry of Plenty. Other literary portrayals of planned economies were Yevgeny Zamyatin's *We*, which was an influence on Orwell's work. Like *Nineteen Eighty Four*, Ayn Rand's dystopian story *Anthem* was also an artistic portrayal of a command economy that was influenced by *We*. The difference is that it was a primitivist planned economy, as opposed to the advanced technology of *We* or *Brave New World*.

In Ursula K. Le Guin's science fiction novel *The Dispossessed*, published 1974, mainstream capitalist and state socialist economies on the planet Urras are contrasted with an anarchist self-managed economy on its orbiting twin Anarres.

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## External links

- An article against "The myth of the permanent arms economy" (<http://www.worldsocialism.org/spgb/aug03/kidron2.html>)
- The Stalin Model for the Control and Coordination of Enterprises in a Socialist Economy (<http://www.sjsu.edu/faculty/watkins/stalinmodel.htm>)

# Economic planning

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**Economic planning** refers to any directing or planning of economic activity outside the mechanisms of the market. Planning is an economic mechanism for resource allocation and decision-making held in contrast with the market mechanism. Most economies are mixed economies, incorporating elements of market mechanisms and planning for distributing inputs and outputs.<sup>[1]</sup> The level of centralization of decision-making ultimately depends on the type of planning mechanism employed; as such planning may be based on either centralized or decentralized decision-making.<sup>[2]</sup>

Economic planning can apply to production, investment, distribution or all three of these functions. Planning may take the form of *directive* planning or *indicative planning*. An economy primarily based on **central planning** is a planned economy; in a planned economy the allocation of resources is determined by a comprehensive plan of production which specifies output requirements.<sup>[3]</sup>

A distinction can be made between *physical* planning (as in pure socialism), meaning economic coordination and planning conducted in terms of disaggregated physical units or by a common natural unit, and between *financial* planning (as practiced by governments or private firms within capitalism).

## Socialist economic planning

Different forms of economic planning have been featured in models of socialism. These range from decentralized-planning systems, which are based on collective-decision making and disaggregated information, to centralized-systems of planning conducted by technical experts who use aggregated information to formulate plan of production. In a fully developed socialist economy, engineers and technical specialists, overseen or appointed in a democratic manner, would coordinate the economy in terms of physical units without any need or use for financial-based calculation. The economy of the Soviet Union never reached this stage of development and planned its economy in financial terms throughout its history.<sup>[4]</sup> Nonetheless, a number of alternative metrics were developed for assessing the performance of non-financial economies in terms of physical output (i.e.: net material product versus Gross domestic product).

Socialists and Marxists differentiate between the concept of *command economy*, which existed in the Soviet Union, and *economic planning*, defining a command economy as top-down administrative planning based on bureaucratic organization (akin to organizing the economy as a single capitalist firm).<sup>[5]</sup>

Classical socialists and Marxists define economic planning as directly producing use-values, as opposed to indirectly producing use-value as a byproduct of pursuing profits. This is considered to be a fundamental element of a socialist economy. Economic planning implies production for use, social control over the allocation of the surplus product, and in its most extensive theoretical form, calculation-in-kind in place of financial calculation and money. For Marxists in particular, planning entails control of the surplus product (profit) by the associated producers, in a

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democratic fashion.<sup>[6]</sup> This differs from planning within the framework of capitalism, which is based on the planned accumulation of capital in order to either stabilize the business cycle (when undertaken by governments) or to maximize profits (when undertaken by firms), as opposed to the socialist concept of planned production for use.

Marxists and early technocratic socialists hold the view that in a socialist society based on economic planning, the primary function of the state apparatus changes from one of political rule over people (via the creation and enforcement of laws) into a scientific administration of things and a direction of processes of production; that is the state would become a coordinating economic entity rather than a mechanism of class or political control, thereby ceasing to be a state in the traditional sense.<sup>[7]</sup> In Marxist theory, these public institutions would cease to be a state after this transformation.

Libertarian socialists, Syndicalists, Trotskyists, orthodox Marxists and democratic socialists advocate various forms of de-centralized planning and self-management. In a de-centralized planned economy, economic decision-making is based on self-management and self-governance from the bottom-up without any directing central authority (in a spontaneous manner). On the other hand, Leninists, Marxist-Leninists, Social democrats and some state-oriented socialists advocate directive administrative planning where directives are passed down from higher authorities (planning agencies) to agents (enterprise managers), who in turn give orders to workers.

In some socialist theories, economic planning completely substitutes the market mechanism, supposedly rendering monetary relations and the price system obsolete. In other theories, planning is utilized as a complement to markets. Polish economist Oskar Lange and American economist Abba Lerner proposed a form of market socialism where a central planning board would adjust prices of publicly owned firms to equal marginal cost to enhance the market mechanism by achieving pareto efficient outcomes.

In general, the various types of socialist economic planning exist as theoretical constructs that have not been implemented fully by any economy, partially because they depend on vast changes in social and economic development on a global scale (see: mode of production). In the context of mainstream neoclassical economics, socialist planning usually refers to the Soviet-type command economies, regardless of whether or not they actually constituted a type of socialism, state capitalism or a third, non-socialist and non-capitalist type of system.

## **Intra-firm and intra-industry planning**

Large corporations allocate resources internally among different divisions and subsidiaries through planning. Many modern firms also utilize regression analysis to measure market demand in order to adjust price and decide on the optimal quantity of output to be supplied. Planned obsolescence is often cited as a form of economic planning employed by large firms to increase demand for future products by deliberately limiting the operational lifespan of a product.

In *The New Industrial State*, economist John Kenneth Galbraith posited that large firms can manage prices and consumer demand, and because of increasing technological capacity, management has become increasingly specialized and bureaucratized. The internal structure of a corporation has been reorganized in what he calls a "technostructure", where specialized groups and committees are the primary decision-makers and specialized managers, directors and financial advisers and formal, bureaucratic procedures have replaced the individual entrepreneur's role. He states that both the obsolete notion of "entrepreneurial capitalism" and democratic socialism are impossible for managing the modern industrial system.<sup>[8]</sup>

Austrian economist Joseph Schumpeter argued that the changing nature of economic activity; the increasing bureaucratization and specialization of production; was one of the main reasons capitalism would eventually evolve into socialism. The role of the businessman was increasingly bureaucratic and specific functions within the firm required increasing specialized knowledge, which can just as easily be supplied by the state apparatus.

In the first volume of *Capital*, Karl Marx identifies a tendency for capital to accumulate under capitalism, which leads to increasing industrial capacity due to increasing returns to scale. Capitalism eventually socializes labor and

production to a point where the traditional notion of private ownership and commodity production are insufficient for managing and further expanding the productive capabilities of society,<sup>[9]</sup> necessitating a socialist economy of the means of production and cooperative worker control over the surplus value.<sup>[10]</sup> Socialists see this as evidence of the increasing obsolescence and inapplicability of notions of perfect competition and as evidence of the increasingly trend toward economic planning in some form or another, the next stage of evolution being planning production on the level of the national economy.

## Economic planning in practice

### Command economy

A planned economy is an economic system in which decisions regarding production and investment are embodied in a plan formulated by a central authority, usually by a government agency. A command economy is a type of planned economy whereby plan directives are enforced through inducements in a vertical power-structure.

### United States

The United States utilized economic planning during the First World War. The Federal Government supplemented the price system with centralized resource allocation and created a number of new agencies to direct important economic sectors; notably the Food Administration, Fuel Administration, Railroad Administration and War Industries Board.<sup>[11]</sup> During the Second World War, the economy experienced staggering growth under a similar system of planning.

From the start of the Cold War to the present, the United States Federal Government directs a significant amount of investment and funding into research and development, often initially through the Department of Defense. The government performs 50% of all R&D in the United States,<sup>[12]</sup> with a dynamic state-directed public-sector developing most of the technology that later becomes the basis of the private sector economy.<sup>[13]</sup> Examples include laser technology, the internet, telecommunications and computers.

### Asia

The government of Malaysia instituted a series of macroeconomic plans to develop its mixed economy. Singapore and South Korea were also partially based on economic planning with active government industrial policies during their rapid development. However, the latter is better described as interventionist because the government intervened in a mainly market-based, rather than planned, economy.

Iran practices a degree of economic planning, but has experienced shortages of oil at pumping stations despite enormous natural reserves.

### France

Under dirigisme, France practiced indicative planning and nationalized or established a number of state enterprises in "strategic" sectors of the economy. The concept behind indicative planning is the early identification of oversupply, bottlenecks and shortages so that state investment behavior can be modified in a timely fashion to reduce the incidence of market disequilibrium, with the goal being a concerted economy.

## Criticisms

The most notable critique of economic planning came from Austrian economists Friedrich Hayek and Ludwig von Mises. Hayek argued that central planners could not possibly accrue the necessary information to formulate an effective plan for production because they are not exposed to the rapid changes in the particular time and place that take place in an economy, and are unfamiliar with these circumstances. Transmitting all the necessary information to

planners to accumulate and form a comprehensive plan is therefore inefficient.<sup>[14]</sup>

Centralized economic planning has also been criticized by proponents of de-centralized economic planning. For example, Leon Trotsky believed that central planners, regardless of their intellectual capacity, operated without the input and participation of the millions of people who participate in the economy and understand/respond to local conditions and changes in the economy would be unable to effectively coordinate all economic activity.<sup>[15]</sup> Proponents of technocratic planning have responded by saying democratic planning would be inefficient due to the time it takes to deliberate and vote on action in a direct democratic setting. Democratic planning would also be ineffective because various economic decisions require specialized knowledge, which the majority of voters lack.

## Notes

- [1] *In Defense of Socialist Planning*, by Mandel, Ernest. 1986. From "New Left Review": "Planning is not equivalent to 'perfect' allocation of resources, nor 'scientific' allocation, nor even 'more humane' allocation. It simply means 'direct' allocation, ex ante. As such, it is the opposite of market allocation, which is ex post."
- [2] *Comparing Economic Systems in the Twenty-First Century*, 2003, by Gregory and Stuart. ISBN 0-618-26181-8. (P.23-24): "Centralization is commonly identified with plan and decentralization with market, but there is no simple relationship between the level of decision making and the use of market or plan as a coordinating mechanism. In some economies, it is possible to combine a considerable concentration of decision-making authority and information in a few large corporations with substantial state involvement and yet to have no system of planning as such...To identify an economy as planned does not necessarily reveal the prevalent coordinating mechanism, or for that matter, the degree of centralization in decision making. Both depend on the type of planning mechanism."
- [3] Alec Nove (1987), "planned economy," *The New Palgrave: A Dictionary of Economics*, v. 3, pp. 879-80.
- [4] Bockman, Johanna (2011). *Markets in the name of Socialism: The Left-Wing origins of Neoliberalism*. Stanford University Press. p. 35. ISBN 9780804775663.
- [5] "Command Economy", Marxists.org Glossary of Terms: <http://www.marxists.org/glossary/terms/c/o.htm> For an overview of the Soviet experience, see Myant, Martin; Jan Drahokoupil (2010). *Transition Economies: Political Economy in Russia, Eastern Europe, and Central Asia* (<http://www.wiley.com/college/myant>). Hoboken, New Jersey: Wiley-Blackwell. pp. 1–46. ISBN 978-0-470-59619-7. .
- [6] *Market Socialism: The Debate Among Socialists*, by Schweickart, David; Lawler, James; Ticktin, Hillel; Ollman, Bertell. 1998. From "Definitions of market and socialism" (P.58-59): "For an Anti-Stalinist Marxist, socialism is defined by the degree to which the society is planned. Planning here is understood as the conscious regulation of society by the associated producers themselves. Put it differently, the control over the surplus product rests with the majority of the population through a resolutely democratic process...The sale of labour power is abolished and labour necessarily becomes creative. Everyone participates in running their institutions and society as a whole. No one controls anyone else."
- [7] *Socialism: Utopian and Scientific*, on Marxists.org: <http://www.marxists.org/archive/marx/works/1880/soc-utop/ch01.htm>: "In 1816, he declares that politics is the science of production, and foretells the complete absorption of politics by economics. The knowledge that economic conditions are the basis of political institutions appears here only in embryo. Yet what is here already very plainly expressed is the idea of the future conversion of political rule over men into an administration of things and a direction of processes of production."
- [8] [http://abridge.me.uk/doku.php?id=the\\_new\\_industrial\\_state](http://abridge.me.uk/doku.php?id=the_new_industrial_state)
- [9] Marx and Engels Selected Works, Lawrence and Wishart, 1968, p. 40. Capitalist property relations put a "fetter" on the productive forces.
- [10] *Capital, Volume 1*, by Marx, Karl. From "Chapter 32: Historical Tendency of Capitalist Accumulation": "Self-earned private property, that is based, so to say, on the fusing together of the isolated, independent laboring-individual with the conditions of his labor, is supplanted by capitalistic private property, which rests on exploitation of the nominally free labor of others, i.e., on wage-labor. As soon as this process of transformation has sufficiently decomposed the old society from top to bottom, as soon as the laborers are turned into proletarians, their means of labor into capital, as soon as the capitalist mode of production stands on its own feet, then the further socialization of labor and further transformation of the land and other means of production into socially exploited and, therefore, common means of production, as well as the further expropriation of private proprietors, takes a new form. That which is now to be expropriated is no longer the laborer working for himself, but the capitalist exploiting many laborers."
- [11] <http://eh.net/encyclopedia/article/Rockoff.WWI>
- [12] <http://www.tms.org/pubs/journals/JOM/matters/matters-9004.html>
- [13] <http://www.zcommunications.org/state-and-corp-by-noam-chomsky>
- [14] <http://www.econlib.org/library/Essays/hykKnw1.html>
- [15] *Writings 1932-33, P.96*, Leon Trotsky.

# Socialist economics

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**Socialist economics** are the economic theories and practices of hypothetical and existing socialist economic systems.

A socialist economy is based on some form of social ownership, which includes varieties of public ownership and independent cooperatives, over the means of production, wherein production is carried out to directly produce use-value sometimes, but not always, coordinated through economic planning and a system of accounting based on calculation-in-kind or a direct measure of labor-time.<sup>[1][2]</sup>

The term *socialist economics* may also be applied to analysis of former and existing economic systems that call themselves "socialist", such as the works of Hungarian economist János Kornai.<sup>[3]</sup>

Socialist economics have been associated with different schools of economic thought, most notably Marxian economics, institutional economics, evolutionary economics and neoclassical economics. Early socialism, like Ricardian socialism, was based on classical economics. During the 20th century, proposals and models for planned economies and market socialism were based heavily on neoclassical economics or a synthesis of neoclassical economics with Marxian or institutional economics.

## Description

A socialist economy is a system of production where goods and services are produced directly for use, in contrast to a capitalist economic system, where goods and services are produced to generate profit (and therefore indirectly for use).<sup>[4]</sup> Goods and services would be produced for their usefulness, or for their use-value, eliminating the need for market-induced needs to ensure a sufficient amount of demand for products to be sold at a profit. Production in a socialist economy is therefore "planned" or "coordinated", and does not suffer from the business cycle inherent to capitalism. In most socialist theories, economic planning only applies to the factors of production and not to the allocation of goods and services produced for consumption, which would be distributed through a market. Karl Marx stated that "lower-stage communism" would consist of compensation based on the amount of labor one contributes to the social product.<sup>[5]</sup>

The ownership of the means of production varies in different socialist theories. It can either be based on public ownership by a state apparatus; direct ownership by the users of the productive property through worker cooperative; or commonly owned by all of society with management and control delegated to those who operate/use the means of production.

Management and control over the activities of enterprises is based on self-management and self-governance, with equal power-relations in the workplace to maximize occupational autonomy. A socialist form of organization would eliminate controlling hierarchies so that only a hierarchy based on technical knowledge in the workplace remains. Every member would have decision-making power in the firm and would be able to participate in establishing its overall policy objectives. The policies/goals would be carried out by the technical specialists that form the coordinating hierarchy of the firm, who would establish plans or directives for the work community to accomplish these goals.<sup>[6]</sup>

However, the economies of the former Socialist states, excluding SFR Yugoslavia, were based on bureaucratic, top-down administration of economic directives and micromanagement of the worker in the workplace inspired by capitalist models of scientific management. As a result, socialists have argued that they were not socialist due to the lack of equal power-relations in the workplace, the presence of a new "elite", and because of the commodity production that took place in these economies. These economic and social systems have been classified as being either *Bureaucratic collectivist*, *State capitalist* or *Deformed workers' states*, the exact nature of the USSR *et al* remains unresolved within the socialist movement<sup>[7]</sup>

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## Socialist economic planning

Economic planning is a mechanism for the allocation of economic inputs and decision-making based on direct allocation, in contrast to the market mechanism, which is based on indirect allocation.<sup>[8]</sup> An economy based on economic planning appropriates its resources as needed, so that allocation comes in the form of internal transfers rather than market transactions involving the purchasing of assets by one government agency or firm by another. Decision-making is carried out by workers and consumers on the enterprise-level.

Economic planning is not synonymous with the concept of a *command economy*, which existed in the Soviet Union, and was based on a highly bureaucratic administration of the entire economy in accordance to a comprehensive plan formulated by a central planning agency, which specified output requirements for productive units and tried to micromanage the decisions and policies of enterprises. The command economy is based on the organizational model of a capitalist firm, but applies it to the entire economy.<sup>[9]</sup>

Various advocates of economic planning have been staunch critics of command economies and centralized planning. For example, Leon Trotsky believed that central planners, regardless of their intellectual capacity, operated without the input and participation of the millions of people who participate in the economy and understand the local conditions and rapid changes in the economy. Therefore, central planners would be unable to effectively coordinate all economic activity because they lacked this informal information.<sup>[10]</sup>

Economic planning in socialism takes a different form than economic planning in capitalist mixed economies (such as Dirigisme, Central banking and Indicative planning); in the former case planning refers to production of use-value directly (planning of production), while in the latter case planning refers to the planning of capital accumulation in order to stabilize or increase the efficiency of this process.

## Normative aspects

The goal of socialist economics is to neutralize capital (or, in the case of market socialism, to subject investment and capital to social planning<sup>[11]</sup>), to coordinate the production of goods and services to directly satisfy demand (as opposed to market-induced needs), and to eliminate the business cycle and crisis of overproduction that occur as a result of an economy based on capital accumulation and private property in the means of production.

Socialists generally aim to achieve greater equality in decision-making and economic affairs, grant workers greater control of the means of production and their workplace, and to eliminate exploitation by directing the surplus value to employees. Free access to the means of subsistence is a requisite for liberty, because it ensures that all work is voluntary and no class or individual has the power to coerce others into performing alienating work.

The ultimate goal for Marxist socialists is the emancipation of labor from alienating work, and therefore freedom from having to perform such labor to receive access to the material necessities for life. It is argued that freedom from necessity would maximize individual liberty, as individuals would be able to pursue their own interests and develop their own talents without being coerced into performing labor for others (the power-elite or ruling class in this case) via mechanisms of social control, such as the labor market and the state. The stage of economic development in which this is possible is contingent upon advances in the productive capabilities of society. This advanced stage of social relations and economic organization is called *pure communism*.

## Economic value in socialism

Socialist economic theories base the value of a good or service on its use value, rather than its cost of production (labor theory of value) or its exchange value (Marginal Utility).<sup>[12]</sup>

Other socialist theories, such as mutualism and market socialism, attempt to apply the labor theory of value to socialism, so that the price of a good or service is adjusted to equal the amount of labor time expended in its production. The labor-time expended by each worker would correspond to labor credits, which would be used as a currency to acquire goods and services.

Market socialists that base their models on neoclassical economics, and thus marginal utility, such as Oskar Lange and Abba Lerner, have proposed that publicly owned enterprises set their price to equal marginal cost, thereby achieving pareto efficiency.

Anarcho-communism as defended by Peter Kropotkin and Errico Malatesta rejected the labor theory of value and exchange value itself, advocated a gift economy and to base distribution on need.<sup>[13]</sup>

## Socialist economies in theory

Robin Hahnel and Michael Albert identify five economic models within the rubric of socialist economics:<sup>[14]</sup>

- **Public Enterprise Centrally Planned Economy** in which all property is owned by the State and all key economic decisions are made centrally by the State, e.g. the former Soviet Union.
- **Public Enterprise State-Managed Market Economy**, one form of market socialism which attempts to use the price mechanism to increase economic efficiency, while all decisive productive assets remain in the ownership of the state, e.g. socialist market economy in China after reform.
- A **mixed economy**, where public and private ownership are mixed, and where industrial planning is ultimately subordinate to market allocation, the model generally adopted by social democrats e.g. in twentieth century Sweden.
- **Public Enterprise Employee Managed Market Economies**, another form of market socialism in which publicly owned, employee-managed production units engage in free market exchange of goods and services with one another as well as with final consumers, e.g. mid twentieth century Yugoslavia, Two more theoretical models are Prabhat Ranjan Sarkar's Progressive Utilization Theory and Economic democracy.
- **Public Enterprise Participatory Planning**, an economy featuring social ownership of the means of production with allocation based on an integration of decentralized democratic planning, e.g. stateless communism, libertarian socialism. An incipient historical forebear is that of Catalonia during the Spanish revolution. More developed theoretical models include those of Karl Polanyi, Participatory Economics and the negotiated coordination model of Pat Devine, as well as in Cornelius Castoriadis's pamphlet "Workers' Councils and the Economics of a Self-Managed Society"<sup>[15]</sup>.

Additionally, János Kornai identifies five distinct classifications for socialism:

- **Classical / Marxist** conception, where socialism is a stage of economic development in which wage labour, private property in the means of production and monetary relations have been made redundant through the development of the productive forces, so that capital accumulation has been superseded by economic planning. Economic planning in this definition means conscious allocation of economic inputs and the means of production by the associated producers to directly maximise use-values as opposed to exchange-values, in contrast to the "anarchy of production" of capitalism.
- **Walrasian / Market Socialist** which defines socialism as public-ownership or cooperative-enterprises in a market economy, with prices for producer goods set through a trial-and-error method by a central planning board. In this view, socialism is defined in terms of de jure public property rights over major enterprises.
- **Leninist** conception, which includes a form of political organisation based on control of the means of production and government by a single political party apparatus that claims to act in the interest of the working class, and an



ideology hostile toward markets and political dissent, with coordination of economic activity through centralised economic planning (a "command economy").

- **Social Democratic** concept, based on the capitalist mode of production, which defines socialism as a set of values rather than a specific type of social and economic organisation. It includes unconditional support for parliamentary democracy, gradual and reformist attempts to establish socialism, and support for socially progressive causes. Social democrats are not opposed to the market or private property; instead they try to ameliorate the effects of capitalism through a welfare state, which relies on the market as the fundamental coordinating entity in the economy and a degree of public ownership/public provision of public goods in an economy otherwise dominated by private enterprise.
- **East Asian** model, or socialist market economy, based on a largely free-market, capital accumulation for profit and substantial private ownership along with state-ownership of strategic industries monopolised by a single political party. János Kornai ultimately leaves the classification of this model (as either socialist or capitalist) to the reader.<sup>[16]</sup>

## Socialist economies in practice

Although a number of economic systems have existed with various socialist attributes, or have been deemed socialist by their proponents, almost all of the economic systems listed below have largely retained elements of capitalism such as wage labor, the accumulation of capital, and commodity production. Nonetheless, various elements of a socialist economy have been implemented or experimented with in various economies throughout history.

Various forms of socialist organizational attributes have existed as minor modes of production within the context of a capitalist economy throughout history - examples of this include cooperative enterprises in a capitalist economy, and the emerging free-software movement based on social peer-to-peer production.

## Centrally planned economies

A centrally planned economy combines public ownership of the means of production with centralised state planning. This model is usually associated with the Soviet-style command economy. In a centrally planned economy, decisions regarding the quantity of goods and services to be produced are planned in advance by a planning agency. The planning process was based around material balances - balancing economic inputs with planned output targets for the planning period. Although nominally a "centrally planned" economy, in reality formulation of the plan took place on a more local level of the production process as information was relayed from enterprises to planning ministries. Aside from the USSR and Eastern bloc economies, this economic model was also utilized by the People's Republic of China, Socialist Republic of Vietnam, Republic of Cuba and North Korea.

## Dispute that the Soviet model is socialism

Various scholars and political economists have criticized the claim that the centrally planned economy, and specifically, the Soviet model of economic development, constitutes a form of socialism. They argue that the Soviet economy was structured upon the accumulation of capital and the extraction of surplus value from the working class by the planning agency in order to reinvest this surplus into the economy - and to distribute to managers and senior officials, indicating the Soviet Union (and other Soviet-style economies) were state capitalist economies.<sup>[17]</sup> More fundamentally, these economies are still structured around the dynamic of capitalism: the accumulation of capital and production for profit (as opposed to being based on production for use - the defining criterion for socialism), and have not yet transcended the system of capitalism but are in fact a variation of capitalism based on a process of state-directed accumulation.<sup>[18]</sup>

Other socialist critics point to the lack of socialist social relations in these economies - specifically the lack of self-management, a bureaucratic elite based on hierarchical and centralized powers of authority, and the lack of genuine worker control over the means of production - leading them to conclude that they were not socialist but

either bureaucratic collectivism or state capitalism.<sup>[19]</sup> Trotskyists argue they are neither socialist nor capitalist - but are deformed workers' states.

This analysis is consistent with Lenin's April Theses, which stated that the goal of the Bolshevik revolution was *not* the introduction of socialism, which could only be established on a worldwide scale, but was intended to bring production and the state under the control of the Soviets of Workers' Deputies. Furthermore, these "Communist states" often don't claim to have achieved socialism in their countries; on the contrary, they claim to be *building* and working toward the establishment of socialism in their countries. For example, the preamble to the Socialist Republic of Vietnam's constitution states that Vietnam only entered a transition stage between capitalism and socialism after the country was re-unified under the Communist party in 1976<sup>[20]</sup>, and the 1992 Constitution of the Republic of Cuba states that the role of the Communist Party is to "guide the common effort toward the goals and construction of socialism".<sup>[21]</sup>

This view is challenged by Stalinists and their followers, who claim that socialism was established in the Soviet Union after Joseph Stalin came to power and instituted the system of five year plans. Joseph Stalin introduced the theory of Socialism in one country, which argued that socialism can be built in a single country, despite existing in a global capitalist economic system.

### Union of Soviet Socialist Republics

The Soviet Union and some of its European satellites aimed for a fully centrally planned economy. They dispensed almost entirely with private ownership over the means of production. Workers were still, however, effectively paid a wage for their labour. Some believe that according to Marxist theory this should have been a step towards a genuine workers' state. However, some Marxists consider this a misunderstanding of Marx's views of historical materialism, and his views of the process of socialization.

The characteristics of this model of economy were:

- **Production quotas** for every productive unit. A farm, mine or factory was judged on the basis of whether its production met the quota. It would be provided with a quota of the inputs it needed to start production, and then its quota of output would be taken away and given to downstream production units or distributed to consumers. Critics of both left and right persuasions have argued that the economy was plagued by incentive-related problems; claiming, for instance, that the system incentivized enterprise managers to underreport their unit's productive capacities so that their quotas would be easier to achieve, especially since the manager's bonuses were linked to the fulfillment of quotas.
  - **Allocation through political control.** In contrast with systems where prices *determined* allocation of resources, in the Soviet Union, allocation, particularly of means of production was determined by the bureaucracy. The prices that were constructed were done so *after* the formulation of the economy plan, and such prices did not factor into choices about what was produced and how it was produced in the first place.
  - **Full employment.** Every worker was ensured employment. However workers were generally not directed to jobs. The central planning administration adjusted relative wages rates to influence job choice in accordance with the outlines of the current plan.
  - **Clearing goods by planning** : if a surplus of a product was accumulated, then the central planning authority would either reduce the quota for its production or increase the quota for its use.
  - **Five Year Plans** for the long-term development of key industries.
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### Post-Soviet reforms

After the dissolution of the Soviet Union and the Eastern bloc, many of the remaining socialist states presiding over centrally planned economies began introducing reforms that shifted their economies away from centralized planning. The Republic of Cuba, under the leadership of Raul Castro, has begun to encourage co-operatives and self-employment in a move to reduce the central role of state enterprise and state management over the economy, with the goal of building a co-operative form of socialism.<sup>[22]</sup>

Vietnam adopted an economic model it formally titled the *socialist-oriented market economy*. This economic system is a form of mixed-economy consisting of state, private, co-operative and individual enterprises coordinated by the market mechanism. This system is intended to be transitional stage in the development of socialism.

### People's Republic of China

China embraced a socialist planned economy after the Communist victory in its Civil War. Private property and private ownership of capital were abolished, and various forms of wealth made subject to state control or to workers' councils.

The Chinese economy broadly adopted a similar system of production quotas and full employment by fiat to the Russian model. The Great Leap Forward saw a remarkably large-scale experiment with rapid collectivisation of agriculture, and other ambitious goals. Results were less than expected, (e.g., there were food shortages and mass starvation) and the program was abandoned after three years.

In recent decades China has opened its economy to foreign investment and to market-based trade, and has continued to experience strong economic growth. It has carefully managed the transition from a planned socialist economy to a market economy, officially referred to as the *socialist commodity market economy*, which has been likened to capitalism by some outside observers.<sup>[23]</sup> As a result, centralized economic planning has little relevance in China today.

The current Chinese economic system is characterized by state ownership combined with a strong private sector that privately owned enterprises that generate about 33%<sup>[24]</sup> (People's Daily Online 2005) to over 50% of GDP in 2005,<sup>[25]</sup> with a BusinessWeek article estimating 70%<sup>[26]</sup> of GDP, a figure that might be even greater considering the Chengbao system. Some western observers note that the private sector is likely underestimated by state officials in calculation of GDP due to its propensity to ignore small private enterprises that are not registered.<sup>[27]</sup> Most of the state and private sectors of economy are governed by free market practices, including a stock exchange for trading equity. The free-market is the arbitrator for most economic activity, which is left to the management of both state and private firms. A significant amount of privately owned firms exist, especially in the consumer service sector.<sup>[28]</sup>

The state sector is concentrated in the 'commanding heights' of the economy with a growing private sector engaged primarily in commodity production and light industry. Centralized directive planning based on mandatory output requirements and production quotas has been superseded by the free-market mechanism for most of the economy and directive planning is utilized in some large state industries.<sup>[28]</sup> A major difference from the old planned economy is the privatization of state institutions. 150 state-owned enterprises remain and report directly to the central government, most having a number of subsidiaries.<sup>[29]</sup> By 2008, these state-owned corporations have become increasingly dynamic largely contributing to the increase in revenue for the state.<sup>[30][31]</sup> The state-sector led the economic recovery process and increased economic growth in 2009 after the financial crises.<sup>[32]</sup>

This type of economic system is defended from a Marxist perspective which states that a socialist planned economy can only be possible after first establishing the necessary comprehensive commodity market economy, letting it fully develop until it exhausts its historical stage and gradually transforms itself into a planned economy.<sup>[33]</sup> Proponents of this model distinguish themselves from market socialists who believe that economic planning is unattainable, undesirable or ineffective at distributing goods, viewing the market as the solution rather than a temporary phase in development of a socialist planned economy.

The Socialist Republic of Vietnam has pursued similar economic reforms, though less extensive, which have resulted in what is officially called a **Socialist-oriented market economy**, a mixed economy where the state plays a dominant role intended to be a transitional phase in establishment of a socialist economy.<sup>[34]</sup>

### Social Democratic Mixed Economies

Many of the industrialized, open countries of Western Europe experimented with one form of social democratic mixed economies or another during the 20th century. These include Britain (mixed economy and welfare state) from 1945 to 1979, France (state capitalism and indicative planning) from 1945 to 1982 under dirigisme, Sweden (social democratic welfare state) and Norway (state capitalist mixed economy) to the present. They can be regarded as social democratic experiments, because they universally retained a wage-based economy and private ownership and control of the decisive means of production.

Nevertheless, these western European countries tried to restructure their economies away from a purely private capitalist model. Variations range from social democratic welfare states, such as in Sweden, to mixed economies where a major percentage of GDP comes from the state sector, such as in Norway, which ranks among the highest countries in quality of life and equality of opportunity for its citizens.<sup>[35]</sup> Elements of these efforts persist throughout Europe, even if they have repealed some aspects of public control and ownership. They are typically characterized by:

- **Nationalization** of key industries, such as mining, oil, steel, energy and transportation. A common model is for a sector to be taken over by the state and then one or more publicly owned corporations set up for its day-to-day running. Advantages of nationalization include: the ability of the state to direct investment in key industries, the distribution of state profits from nationalized industries for the overall national good, the ability to direct producers to social rather than market goals, greater control of the industries by and for the workers, and the benefits and burdens of publicly funded research and development are extended to the wider populace.
- **Redistribution of wealth**, through both tax and spending policies that aim to reduce economic inequalities. Social democracies typically employ various forms of progressive taxation regarding wage and business income, wealth, inheritance, capital gains and property. On the spending side, a set of social policies typically provides free access to public services such as education, health care and child care, while subsidized access to housing, food, pharmaceutical goods, water supply, waste management and electricity is also common.
- **Social security** schemes where workers contribute to a mandatory public insurance program. The insurance typically include monetary provisions for retirement pensions and survivor benefits, permanent and temporary disabilities, unemployment and parental leave. Unlike private insurance, governmental schemes are based on public statutes and not contracts, so that contributions and benefits may change in time and are based on solidarity among participants. Its funding is done on an ongoing basis, without direct relationship with future liabilities.
- **Minimum wages, employment protection and trade union recognition rights** for the benefit of workers. The objectives of these policies are to guarantee living wages and help produce full employment. There are a number of different models of trade union protection which evolved, but they all guarantee the right of workers to form unions, negotiate benefits and participate in strikes. Germany, for instance, appointed union representatives at high levels in all corporations and had much less industrial strife than the UK, whose laws encouraged strikes rather than negotiation.
- **National planning** for industrial development.
- **Demand management** in a Keynesian fashion to help ensure economic growth and employment.

## State capitalism

Various state capitalist economies, which consist of large commercial state enterprises that operate according to the laws of capitalism and pursue profits, have evolved in countries that have been influenced by various elected socialist political parties and their economic reforms. While these policies and reforms did not change the fundamental aspect of capitalism, and non-socialist elements within these countries supported or often implemented many of these reforms themselves, the result has been a set of economic institutions that were at least partly influenced by socialist ideology.

### Singapore

Singapore pursued a state-led model of economic development under the People's Action Party, which initially adopted a Leninist approach to politics and a broad socialist model of economic development.<sup>[36]</sup> The PAP was initially a member of the Socialist International. Singapore's economy is dominated by state-owned enterprises and government-linked companies through Temasek Holdings, which generate 60% of Singapore's GDP.<sup>[37]</sup>

The state also provides substantial public housing, free education, health and recreational services, as well as comprehensive public transportation.<sup>[38]</sup> Today Singapore is often characterized as having a state capitalist economy that combines economic planning with the free-market.<sup>[39]</sup> While government-linked companies generate a majority of Singapore's GDP, moderate state planning in the economy has been reduced in recent decades.

### India

After gaining independence from Britain, India adopted a broadly socialist-inspired approach to economic growth. Like other countries with a democratic transition to a mixed economy, it did not abolish private property in capital. India proceeded by **nationalizing** various large privately run firms, creating **state-owned enterprises** and **redistributing** income through progressive taxation in a manner similar to social democratic Western European nations than to planned economies such as the USSR or China. Today India is often characterized as having a free-market economy that combines economic planning with the free-market. It did however adopt a very firm focus on national planning with a series of broad Five-Year Plans.

### Paris Commune

The Paris Commune was considered to be a prototype mode of economic and political organization for a future socialist society by Karl Marx. Private property in the means of production was abolished so that individuals and co-operative associations of producers owned productive property and introduced democratic measures where elected officials received no more in compensation than the average worker and could be recalled at any time.<sup>[40]</sup>

## Social ownership and peer-to-peer production

Various forms of socialist organization based on co-operative decision making, workplace democracy and in some cases, production directly for use, have existed within the broader context of the capitalist mode of production since the Paris Commune. New forms of socialist institutional arrangements began to take form at the end of the 20th century with the advancement and proliferation of the internet and other tools that allow for collaborative decision-making.

Michel Bauwens identifies the emergence of the open software movement and peer-to-peer production as an emergent alternative mode of production to the capitalist economy that is based on collaborative self-management, common ownership of resources, and the (direct) production of use-values through the free cooperation of producers who have access to distributed capital.<sup>[41]</sup>

Commons-based peer production generally involves developers who produce goods and services with no aim to profit directly, but freely contribute to a project relying upon an open common pool of resources and software code. In both cases, production is carried out directly for use - software is produced solely for their use-value.

Wikipedia, being based on collaboration and cooperation and a freely associated individuals, has been cited as a template for how socialism might operate.<sup>[42]</sup> This is a modern example of what the Paris Commune - a template for possible future organization - was to Marx in his time.

### **Socialist Federal Republic of Yugoslavia**

Yugoslavia pursued a socialist economy based on autogestion or worker-self management. Rather than implementing a centrally planned economy, Yugoslavia developed a market socialist system where enterprises and firms were socially owned rather than publicly owned by the state. In these organizations, the management was elected directly by the workers in each firm, and were later organized according to Edvard Kardelj's theory of associated labor.

### **Self-managed enterprises**

The Mondragon Corporation, a federation of cooperatives in the Basque region of Spain, organizes itself as an employee-owned, employee-managed enterprise. Similar styles of decentralized management, which embrace cooperation and collaboration in place of traditional hierarchical management structures, have been adopted by various private corporations such as Cisco Systems, inc.<sup>[43]</sup> But unlike Mondragon, Cisco remains firmly under private ownership. More fundamentally, employee-owned, self-managed enterprises still operate within the broader context of capitalism and are subject to the accumulation of capital and profit-loss mechanism.

### **Anarchist Spain**

The Spanish Revolution was a workers' social revolution that began during the outbreak of the Spanish Civil War in 1936 and resulted in the widespread implementation of anarchist and more broadly socialist organizational principles throughout various portions of the country for two to three years, primarily Catalonia, Aragon, Andalusia, and parts of the Levante. Much of Spain's economy was put under worker control; in anarchist strongholds like Catalonia, the figure was as high as 75%, but lower in areas with heavy Communist Party influence, as the Soviet-allied party actively resisted attempts at collectivization enactment. Factories were run through worker committees, agrarian areas became collectivised and run as libertarian communes. Even places like hotels, barber shops, and restaurants were collectivized and managed by their workers. Sam Dolgoff estimated that over 10 million people participated directly or at least indirectly in the Spanish Revolution, which he claimed "came closer to realizing the ideal of the free stateless society on a vast scale than any other revolution in history."

## **History of socialist economic thought**

Values of *socialism* have roots in pre-capitalist institutions such as the religious communes, reciprocal obligations, and communal charity of Mediaeval Europe, the development of its economic theory primarily reflects and responds to the monumental changes brought about by the dissolution of feudalism and the emergence of specifically capitalist social relations.<sup>[44]</sup> As such it is commonly regarded as a movement belonging to the modern era. Many socialists have considered their advocacy as the preservation and extension of the radical humanist ideas expressed in Enlightenment doctrine such as Jean-Jacques Rousseau's *Discourse on Inequality*, Wilhelm von Humboldt's *Limits of State Action*, or Immanuel Kant's insistent defense of the French Revolution.<sup>[45]</sup>

Capitalism appeared in mature form as a result of the problems raised when an industrial factory system requiring long-term investment and entailing corresponding risks was introduced into an internationalized commercial (mercantilist) framework. Historically speaking, the most pressing needs of this new system were an assured supply of the elements of industry – land, elaborate machinery, and labour – and these imperatives led to the commodification of these elements.<sup>[46]</sup>

According to influential socialist economic historian Karl Polanyi's classic account, the forceful transformation of land, money and especially labour into commodities to be allocated by an autonomous market mechanism was an

alien and inhuman rupture of the pre-existing social fabric. Marx had viewed the process in a similar light, referring to it as part of the process of "primitive accumulation" whereby enough initial capital is amassed to begin capitalist production. The dislocation that Polanyi and others describe, triggered natural counter-movements in efforts to re-embed the economy in society. These counter-movements, that included, for example, the Luddite rebellions, are the incipient socialist movements. Over time such movements gave birth to or acquired an array of intellectual defenders who attempted to develop their ideas in theory.

As Polanyi noted, these counter-movements were mostly reactive and therefore not full-fledged socialist movements. Some demands went no further than a wish to mitigate the capitalist market's worst effects. Later, a full socialist program developed, arguing for systemic transformation. Its theorists believed that even if markets and private property could be tamed so as not to be excessively "exploitative", or crises could be effectively mitigated, capitalist social relations would remain significantly unjust and anti-democratic, suppressing universal human needs for fulfilling, empowering and creative work, diversity and solidarity.

Within this context socialism has undergone four periods: the first in the 19th century was a period of utopian visions (1780s-1850s); then occurred the rise of revolutionary socialist and Communist movements in the 19th century as the primary opposition to the rise of corporations and industrialization (1830–1916); the polarisation of socialism around the question of the Soviet Union, and adoption of socialist or social democratic policies in response (1916–1989); and the response of socialism in the neo-liberal era (1990- ). As socialism developed, so did the socialist system of economics.

### **Utopian socialism**

The first theories which came to hold the term "socialism" began to be formulated in the late 18th century, and were termed "socialism" early in the 19th century. The central beliefs of the socialism of this period rested on the exploitation of those who labored by those who owned capital or rented land and housing. The abject misery, poverty and disease to which laboring classes seemed destined was the inspiration for a series of schools of thought which argued that life under a class of masters, or "capitalists" as they were then becoming to be called, would consist of working classes being driven down to subsistence wages. (See Iron law of wages).

Socialist ideas found expression in utopian movements, which often formed agricultural communes aimed at being self-sufficient on the land. These included many religious movements, such as the Shakers in America.

Utopian socialism had little to offer in terms of a systematic theory of economic phenomena. In theory, economic problems were dissolved by a utopian society which had transcended material scarcity. In practice, small communities with a common spirit could sometimes resolve allocation problems.

### **Socialism and classical political economy**

The first organized theories of socialist economics were significantly impacted by classical economic theory, including elements in Adam Smith, Robert Malthus and David Ricardo. In Smith there is a conception of a common good not provided by the market, a class analysis, a concern for the dehumanizing aspects of the factory system, and the concept of rent as being unproductive. Ricardo argued that the renting class was parasitic. This, and the possibility of a "general glut", an over accumulation of capital to produce goods for sale rather than for use, became the foundation of a rising critique of the concept that free markets with competition would be sufficient to prevent disastrous downturns in the economy, and whether the need for expansion would inevitably lead to war.

## Socialist political economy before Marx

A key early socialist theorist of political economy was Pierre-Joseph Proudhon. He was the most well-known of nineteenth century mutualist theorists and the first thinker to refer to himself as an anarchist. Others were: Technocrats like Henri de Saint Simon, agrarian radicals like Thomas Spence, William Ogilvie and William Cobbett; anti-capitalists like Thomas Hodgskin; communitarian and utopian socialists like Robert Owen, William Thompson and Charles Fourier; anti-market socialists like John Gray and John Francis Bray; the Christian mutualist William Batchelder Greene; as well as the theorists of the Chartist movement and early proponents of syndicalism.<sup>[47]</sup>

The first advocates of socialism promoted social leveling in order to create a meritocratic or technocratic society based upon individual talent. Count Henri de Saint-Simon was the first individual to coin the term "socialism".<sup>[48]</sup> Simon was fascinated by the enormous potential of science and technology, which led him to advocate a socialist society that would eliminate the disorderly aspects of capitalism and which would be based upon equal opportunities.<sup>[49]</sup> Simon advocated a society in which each person was ranked according to his or her capacities and rewarded according to his or her work.<sup>[48]</sup> This was accompanied by a desire to implement a rationally organized economy based on planning and geared towards large-scale scientific and material progress, which embodied a desire for a semi-planned economy.<sup>[48]</sup>

Other early socialist thinkers were influenced by the classical economists. The Ricardian socialists, such as Thomas Hodgskin and Charles Hall, were based on the work of David Ricardo and reasoned that the equilibrium value of commodities approximated producer prices when those commodities were in elastic supply, and that these producer prices corresponded to the embodied labor. The Ricardian socialists viewed profit, interest and rent as deductions from this exchange-value.<sup>[50]</sup>

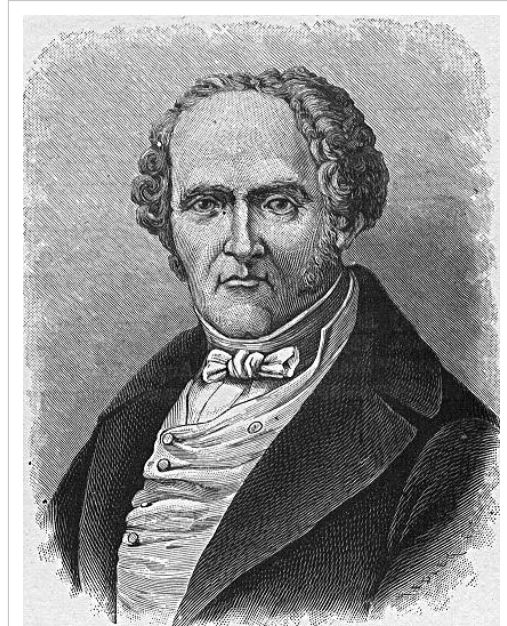
## Das Kapital

Karl Marx employed systematic analysis in an ambitious attempt to elucidate capitalism's contradictory laws of motion, as well as to expose the specific mechanisms by which it exploits and alienates. He radically modified classical political economic theories. Notably, the labor theory of value that had been worked upon by Adam Smith and David Ricardo, was transformed into his characteristic "law of value" and used for the purpose of revealing how commodity fetishism obscures the reality of capitalist society.

His approach, which Engels would call "scientific socialism", would stand as the branching point in economic theory: in one direction went those who rejected the capitalist system as fundamentally anti-social, arguing that it could never be harnessed to effectively realize the fullest development of human potentialities wherein "the free development of each is the condition for the free development of all."<sup>[51]</sup>

Das Kapital is one of the many famous incomplete works of economic theory: Marx had planned four volumes, completed two, and left his collaborator Engels to complete the third. In many ways the work is modelled on Adam Smith's *Wealth of Nations*, seeking to be a comprehensive logical description of production, consumption and finance in relation to morality and the state.

It is a work of philosophy, anthropology and sociology as much as one of economics. However, it has several important statements:



Charles Fourier, influential early French socialist thinker



- **The Law of Value** Capitalist production is the production of “an immense multitude of commodities” or generalised commodity production. A commodity has two essential qualities firstly, they are useful, they satisfy some human want, “the nature of such wants, whether, for instance, they spring from the stomach or from fancy, makes no difference,”<sup>[52]</sup> and secondly they are sold on a market or exchanged. Critically the exchange value of a commodity “is independent of the amount of labour required to appropriate its useful qualities.”<sup>[52]</sup> But rather depends on the amount of socially necessary labour required to produce it. All commodities are sold at their value, so the origin of the capitalist profit is not in cheating or theft but in the fact that the cost of reproduction of labour power, or the worker's wage, is less than the value created during their time at work, enabling the capitalists to yield a surplus value or profit on their investments.
- **Historical Property Relations** Historical capitalism represents a process of momentous social upheaval where rural masses were separated from the land and ownership of the means of production by force, deprivation, and legal manipulation, creating an urban proletariat based on the institution of wage-labour. Moreover, capitalist property relations aggravated the artificial separation between city and country, which is a key factor in accounting for the metabolic rift between human beings in capitalism and their natural environment, which is at the root of our current ecological dilemmas.<sup>[53]</sup>
- **Commodity Fetishism** Marx adapted previous value-theory to show that in capitalism phenomena involved with the price system (markets, competition, supply and demand) constitute a powerful ideology that obscures the underlying social relations of capitalist society. "Commodity fetishism" refers to this distortion of appearance. The underlying social reality is one of economic exploitation.
- **Economic Exploitation** Workers are the fundamental creative source of new value. Property relations affording the right of usufruct and despotic control of the workplace to capitalists are the devices by which the surplus value created by workers is appropriated by the capitalists.
- **Accumulation** Inherent to capitalism is the incessant drive to accumulate as a response to the competitive forces acting upon all capitalists. In such a context the accumulated wealth which is the source of the capitalist's social power derives itself from being able to repeat the circuit of Money-->Commodity-->Money', where the capitalist receives an increment or "surplus value" higher than their initial investment, as rapidly and efficiently as possible. Moreover this driving imperative leads capitalism to its expansion on a worldwide scale.
- **Crises** Marx identified natural and historically specific (i.e. structural) barriers to accumulation that were interrelated and interpenetrated one another in times of crises. Different types of crises, such as realization crises and overproduction crises, are expressions of capitalism's inability to constructively overcome such barriers. Moreover, the upshot of crises is increased centralization, the expropriation of the many capitalists by the few.
- **Centralization** The interacting forces of competition, endemic crises, intensive and extensive expansion of the scale of production, and a growing interdependency with the state apparatus, all promote a strong developmental tendency towards the centralization of capital.
- **Material Development** As a result of its constant drive to optimize profitability by increasing the productivity of labour, typically by revolutionizing technology and production techniques, capitalism develops so as to progressively reduce the objective need for work, suggesting the potential for a new era of creative forms of work and expanded scope for leisure.
- **Socialization, and the pre-conditions for Revolution** By socializing the labour process, concentrating workers into urban settings in large-scale production processes and linking them in a worldwide market, the agents of a potential revolutionary change are created. Thus Marx felt that in the course of its development capitalism was at the same time developing the preconditions for its own negation. However, although the objective conditions for change are generated by the capitalist system itself, the subjective conditions for social revolution can only come about through the apprehension of the objective circumstances by the agents themselves and the transformation of such understanding into an effective revolutionary program.<sup>[54]</sup>

## Anarchist economics

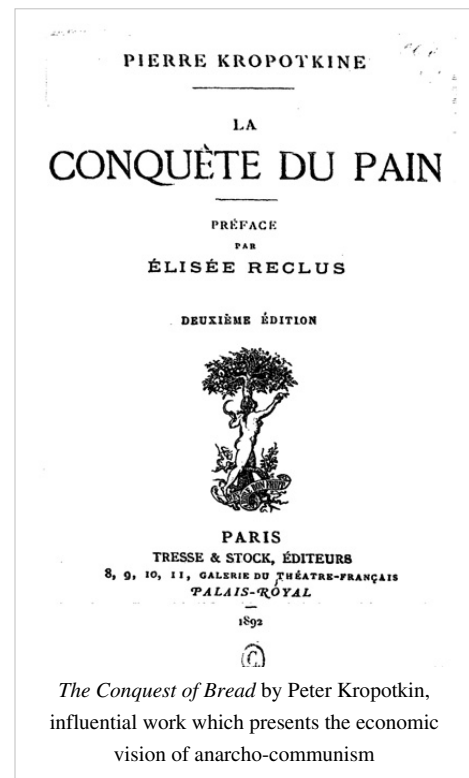
Anarchist economics is the set of theories and practices of economics and economic activity within the political philosophy of anarchism.

Pierre Joseph Proudhon was involved with the Lyons mutualists and later adopted the name to describe his own teachings.<sup>[55]</sup> Mutualism is an anarchist school of thought that originates in the writings of Pierre-Joseph Proudhon, who envisioned a society where each person might possess a means of production, either individually or collectively, with trade representing equivalent amounts of labor in the free market.<sup>[56]</sup> Integral to the scheme was the establishment of a mutual-credit bank that would lend to producers at a minimal interest rate, just high enough to cover administration.<sup>[57]</sup> Mutualism is based on a labor theory of value that holds that when labor or its product is sold, in exchange, it ought to receive goods or services embodying "the amount of labor necessary to produce an article of exactly similar and equal utility".<sup>[58]</sup> Receiving anything less would be considered exploitation, theft of labor, or usury.

Collectivist anarchism (also known as anarcho-collectivism) is a revolutionary<sup>[59]</sup> doctrine that advocates the abolition of the state and private ownership of the means of production. Instead, it envisions the means of production being owned collectively and controlled and managed by the producers themselves. Once collectivization takes place, workers' salaries would be determined in democratic organizations based on the amount of time they contributed to production. These salaries would be used to purchase goods in a communal market.<sup>[60]</sup> Collectivist anarchism is most commonly associated with Mikhail Bakunin, the anti-authoritarian sections of the First International, and the early Spanish anarchist movement.

Anarchist communism is a theory of anarchism which advocates the abolition of the state, private property, and capitalism in favor of common ownership of the means of production,<sup>[61][62]</sup> direct democracy and a horizontal network of voluntary associations and workers' councils with production and consumption based on the guiding principle: "from each according to ability, to each according to need".<sup>[63][64]</sup> Unlike mutualism, collectivist anarchism and marxism, anarcho-communism as defended by Peter Kropotkin and Errico Malatesta rejected the labor theory of value altogether, instead advocating a gift economy and to base distribution on need.<sup>[65]</sup>

Anarchist communism as a coherent, modern economic-political philosophy was first formulated in the Italian section of the First International by Carlo Cafiero, Emilio Covelli, Errico Malatesta, Andrea Costa and other ex-Mazzinian Republicans.<sup>[66]</sup> Out of respect for Mikhail Bakunin, they did not make their differences with collectivist anarchism explicit until after Bakunin's death.<sup>[67]</sup> By the early 1880s, most of the European anarchist movement had adopted an anarchist communist position, advocating the abolition of wage labour and distribution according to need. Ironically, the "collectivist" label then became more commonly associated with Marxist state socialists who advocated the retention of some sort of wage system during the transition to full communism.



## After Marx

Marx's work sharpened the existing differences between the revolutionary and non-revolutionary socialists.

Non-revolutionary socialists took inspiration from the work of John Stuart Mill, and later Keynes and the Keynesians, who provided theoretical justification for (potentially very extensive) state involvement in an existing market economy. According to the Keynesians, if the business cycle could be solved by national ownership of key industries and state direction of their investment, class antagonism would be effectively tamed; a compact would be formed between labour and the capitalists. There would be no need for revolution; instead Keynes looked to the eventual "euthenasia of the rentier" sometime in the far future. Joan Robinson and Michael Kalecki employed Keynesian insights to form the basis of a critical post-Keynesian economics that at times went well beyond liberal reformism. Many original socialist economic ideas would also emerge out of the trade union movement (see Guild Socialism).

In the wake of Marx, "Marxist" economists developed many different, sometimes contradictory tendencies. Some of these tendencies were based on internal disputes about the meaning of some of Marx's ideas, including the 'Law of Value' and his crisis theory. Other variations were elaborations that subsequent theorists made in light of real world developments. For example the monopoly capitalist school saw Paul A. Baran and Paul Sweezy attempt to modify Marx's theory of capitalist development, which was based upon the assumption of price competition, to reflect the evolution to a stage where both economy and state were subject to the dominating influence of giant corporations. World-systems analysis, would restate Marx's ideas about the worldwide division of labour and the drive to accumulate from the holistic perspective of capitalism's historical development as a global system.

Accordingly, Immanuel Wallerstein, writing in 1979, maintained that "There are today no socialist systems in the world-economy any more than there are feudal systems because there is only *one* world-system. It is a world-economy and it is by definition capitalist in form. Socialism involves the creation of a new kind of world-system, neither a redistributive world-empire nor a capitalist world-economy but a socialist world-government. I don't see this projection as being in the least utopian but I also don't feel its institution is imminent. It will be the outcome of a long social struggle in forms that may be familiar and perhaps in very few forms, that will take place in *all* the areas of the world-economy."<sup>[68]</sup>

Meanwhile other notable strands of reformist and revolutionary socialist economics sprung up that were either only loosely associated with Marxism or wholly independent. Thorsten Veblen is widely credited as the founder of critical institutionalism. His idiosyncratic theorizing included acidic critiques of the inefficiency of capitalism, monopolies, advertising, and the utility of conspicuous consumption. Some institutionalists have addressed the incentive problems experienced by the Soviet Union. Critical institutionalists have worked on the specification of incentive-compatible institutions, usually based on forms of participatory democracy, as a resolution superior to allocation by an autonomous market mechanism.

Another key socialist, closely related to Marx, Keynes, and Gramsci, was Piero Sraffa. He mined classical political economy, particularly Ricardo, in an attempt to erect a value theory that was at the same time an explanation of the normal distribution of prices in an economy, as well that of income and economic growth. A key finding was that the net product or surplus in the sphere of production was determined by the balance of bargaining power between workers and capitalists, which was in turn subject to the influence of non-economic, presumably social and political factors. The mutualist tradition associated with Proudhon also continued, influencing the development of libertarian socialism, anarchist communism, syndicalism and distributivism.

In the real world, revolutionary socialists were confronted by the necessity of running an economy, and generally a war economy, and developed ideas and practice in response to the situations they found themselves in.

## Criticism of socialist economics

Criticism of socialist economics comes from market economists, including the classicals, neoclassicals and Austrians, as well as from some anarchist economists. Besides this, some socialist economic theories are criticized by other socialists. Libertarian socialist, mutualist, and market socialist economists, for example, criticize centralized economic planning and propose participatory economics and decentralized socialism.

Market economists generally criticise socialism for eliminating the free market and its price signals, which they consider necessary for rational economic calculation. They also consider that it causes lack of incentive. They believe that these problems lead to a slower rate of technological advance and a slower rate of growth of GDP.

**Austrian school** economists, such as Friedrich Hayek and Ludwig Von Mises, have argued that the elimination of private ownership of the means of production would inevitably create worse economic conditions for the general populace than those that would be found in market economies. They argue that without the price signals of the market, it is impossible to calculate rationally how to allocate resources. Mises called this the economic calculation problem. Polish economist Oskar Lange and Abba Lerner rebutted Mises' argument by developing the Lange Model during the Economic calculation debate. The Lange model states that an economy in which all production is performed by the state, where there is a functioning price mechanism, has similar properties to a market economy under perfect competition, in that it achieves Pareto efficiency.

The **neoclassical** view is that there is a lack of incentive, not a lack of information in a planned economy. They argue that within a socialist planned economy there is a lack of incentive to act on information. Therefore, the crucial missing element is not so much information as the Austrian school argued, as it is the motivation to act on information.<sup>[69]</sup>

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## State socialism

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**State socialism** is a socialist economic system which advocates public ownership of major industries, remedial measures to benefit the working class, and a gradual process of developing socialism through government policy.<sup>[1]</sup> "State socialism" may also be used to classify any variety of socialist philosophies that advocates the ownership of the means of production by the state apparatus, either as a transitional stage between capitalism and socialism, or as an end-goal in itself.

In *Statism and Anarchy*, Mikhail Bakunin identified a "**statist**" tendency within the socialist movement and contrasted it with anarchist socialism, arguing that Karl Marx's theory of transition from capitalism to socialism in which the working class seized state power in a Dictatorship of the proletariat would eventually lead to a usurpation of power by the state apparatus acting in its own self-interest.<sup>[2]</sup> Benjamin Tucker, an American individualist anarcho-socialist author, wrote of "state socialism" in his 1886 essay entitled *State Socialism and Anarchism*, defining it as a tendency that advocated for governmental control over the means of production as a necessary strategy in order to transition from capitalism to socialism.<sup>[3]</sup>

As a political ideology, state socialism rose to prominence during the 20th century Bolshevik, Leninist and later Marxist-Leninist revolutions where single-party control over the state, and by extension, over the political and economic spheres of society was justified as a means to safeguard the revolution against counter-revolutionary insurrection and foreign invasion.<sup>[4]</sup> The Stalinist theory of Socialism in one country further legitimized state-directed activity in an effort to rapidly mobilize the Soviet Union's resources to industrialize its internal economy.

Proponents of state socialism claim the state, through practical considerations of governing, must play at least a temporary part in building socialism. It is possible to conceive of a democratic state that owns the means of production but is internally organized in a participatory, cooperative fashion, thereby achieving both common ownership of productive property and workplace democracy in day-to-day operations.

State socialism is one of the dividing lines within the broader socialist movement, and is often contrasted non-state or anti-state forms of socialism, such as those that advocate direct self-management, adhocracy and direct cooperative ownership and management of the means of production, and political philosophies such as libertarian socialism, anarchist socialism, anarchist communism, syndicalism, free-market socialism, De Leonism and economic democracy. These forms of socialism are opposed to hierarchical technocratic socialism, scientific management, and state-directed economic planning.<sup>[5]</sup>

### Description and theory

State socialism was traditionally advocated as a means to achieving public ownership of the means of production through nationalization of industry was advocated as a method for transitioning to a socialist economy. The goals of nationalization are to dispossess large capitalists and consolidate industry so that profit would go toward public finance rather than private fortune. Nationalization would be the first step in a long-term process of socializing production: introducing employee management and reorganizing production to directly produce for use rather than profit.<sup>[6]</sup>

Traditional social democrats and non-revolutionary democratic socialists argue for a gradual, peaceful transition from capitalism to socialism. They wish to abolish capitalism, but through political reform rather than revolution.

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This method of gradualism implies utilization of the existing state apparatus and machinery of government to gradually move society toward socialism, and is sometimes derided by other socialists as a form of "socialism from above" or political "elitism" for relying on electoral means to achieve socialism.<sup>[7]</sup>

In contrast, Marxist socialism and revolutionary socialism holds that a socialist revolution is the only practical way to implement fundamental changes in the structure of society. Marxists maintain that after a certain period of time under socialism, the state will "wither away" because class distinctions cease to exist and representative democracy would be replaced by direct democracy in the remaining public associations comprising the former state. Political power would be decentralized and distributed evenly among the population, producing a communist society.

Today, many political parties on the political center-left advocate a mild version of what may be considered "mixed economies" or "regulated capitalism" in the form of modern social democracy, in which regulation is used in place of ownership. These social reformers do not advocate the overthrow of capitalism in a social revolution, and they support the continuing existence of the government, private property and the capitalist economic system, only turned to more social purposes. Modern social democracy can also be considered "state capitalism" because the means of production are almost universally the private property of business owners, and production is carried out for exchange rather than directly for use.

### **The role of the state in socialism**

Many Socialists, such as Fredrick Engels and Saint-Simon, take the position that the state will change in nature and function in a socialist society; specifically, the nature of the state would change from one of political rule over people into a scientific administration of the processes of production; specifically the state would become a coordinating economic entity of inclusive associations rather than a mechanism of class and political control,<sup>[8][9]</sup> and in the process, cease to be a state by some definitions.

### **State socialism in Communist states**

The economic model adopted in the former Soviet Union, Eastern Europe and other Communist states is often described as a form of state socialism, and in some cases, state capitalism. The ideology was based on Socialism in One Country; this system was based on state ownership of the means of production, and bureaucratic management over production and the workplace by state officials ultimately subordinate to an all-encompassing communist party. Rather than the producers controlling or managing production, the party controlled the government machinery which directed the national economy on behalf of the communist party and planned production and distribution of capital goods.

In the 20th century's so-called "communist states", the state did not in fact wither away. Some Marxists defend them and contend that the transitional period simply wasn't finished. Other Marxists denounce those "Communist" states as Stalinist, arguing that their leadership was corrupt and that it abandoned Marxism in all but name. In particular, some Trotskyist schools call those countries degenerated workers' states to contrast them with proper socialism (i.e. workers' states); other Trotskyist schools call them *state capitalist*, to emphasise the lack of true socialism and presence of defining capitalist characteristics (wage labor, commodity production, bureaucratic control over workers).

In the former Yugoslavia, the successor political parties to the League of Communists in Serbia and Montenegro, the Socialist Party of Serbia and the Democratic Party of Socialists of Montenegro have advocated progression towards a free-market economy but also advocated state economic planning of elements of the economy, maintaining social welfare and have advocated significant state influence in the media.



## Bismarck's social policy

Otto von Bismarck implemented a set of social programs between 1883–1889, following his anti-socialist laws, partly as remedial measures to appease the working class and detract support for the Social Democratic Party of Germany. Bismarck's biographer A. J. P. Taylor said: "It would be unfair to say that Bismarck took up social welfare solely to weaken the Social Democrats; he had had it in mind for a long time, and believed in it deeply. But as usual he acted on his beliefs at the exact moment when they served a practical need".<sup>[10]</sup> When a reference was made to his friendship with Ferdinand Lassalle (a nationalist and state-oriented socialist), Bismarck said that he was a more practical "socialist" than the Social Democrats.<sup>[11]</sup> These policies were informally referred to as "State Socialism" by liberal and conservative opponents; the term was later adopted by supporters of the programs in a further attempt to detract the working class from the SPD, with the goal of making the working class content with a nationalist-oriented capitalist welfare state.<sup>[12][13]</sup>

Otto von Bismarck made the following statement on his social welfare programs:

"Whoever has pensions for his old age is far more easier to handle than one who has no such prospect. Look at the difference between a private servant in the chancellery or at court; the latter will put up with much more, because he has a pension to look forward to".<sup>[14]</sup>

## Criticisms

Many libertarian socialists, Syndicalists, Mutualists and anarchists go further in their critique, deriding even Marxism as *state socialism* for its support of a temporary, proletarian state instead of abolishing the state apparatus outright. They use the term in contrast with their own form of socialism, which involves either collective ownership (in the form of worker cooperatives) or common ownership of the means of production without state economic planning. Libertarian socialists and anarchists believe there is no need for a state in a socialist system because there would be no class to suppress and no need for an institution based on coercion, and thus regard the state being a remnant of capitalism. Most also hold that statism is itself antithetical to true socialism, the goal of which is the eyes of libertarian socialists such as William Morris; "to destroy the state and put free society in its place".

State socialism is often referred to by detractors simply as "socialism". Austrian economists such as Ludwig Von Mises and Friedrich Hayek for example continually used the word "socialism" as a synonym for state socialism and central planning. The attributive "state" is usually added by socialists with a non-state based method for achieving socialism to criticize *state* socialism. Some socialists may deny that it even *is* socialism, calling it instead "state capitalism". Those socialists who oppose any system of state control whatsoever believe in a more decentralized approach which puts the means of production directly into the hands of the workers rather than indirectly through state bureaucracies—which they claim represent a new elite.

Trotskyists believe that central planners, regardless of their intellectual capacity, operate without the input and participation of the millions of people who participate in the economy who understand/respond to local conditions and changes in the economy, and because of this criticize central state planning as being unable to effectively coordinate all economic activity.<sup>[15]</sup>

Orthodox Marxists view state socialism as an oxymoron; while an association for managing production and economic affairs would exist in socialism, it would no longer be a state in the Marxist definition (which is based on domination by one class). This leads some socialists to consider "state socialism" a form of state capitalism (an economy based on wage labor and capital accumulation but with the state owning the means of production) - which Fredrick Engels states would be the final form of capitalism.<sup>[16]</sup>

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## Socialist state

A **socialist state** (or **socialist republic**) generally refers to any state that is constitutionally dedicated to the construction of a socialist society. It is closely related to the political strategy of "state socialism", a set of ideologies that believe a socialist economy can be established through government policies. Alternatively, the term **Worker's state** is used to distinguish between a state where the working-class controls the machinery of government but has not yet established a socialist economy. Both

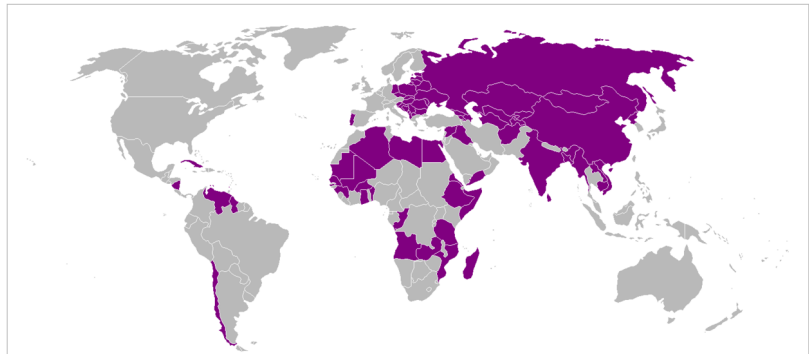
of these concepts are distinguished from a **socialist government**, which generally refers to a liberal democratic state presided over by an elected majority socialist party that is not, and does not necessarily have to be, pursuing the development of socialism, and where the state apparatus is not constitutionally bound to the construction of a socialist system.

Non-statist socialists such as anarcho-socialists, libertarian socialists and council communists reject the concept of a "socialist state" altogether, believing that the modern state is a byproduct of capitalism and cannot be used, or is not required, to establish a socialist system. They reason that a socialist state is antithetical to socialism, and that socialism will emerge spontaneously from the grass-roots level in an evolutionary manner, developing its own unique political and economic institutions for a highly organized stateless society.

The phrase *Socialist state*, or *Communist states* in the West, is widely used by Leninists and Marxist–Leninists in reference to a state under the control of a vanguard party that is organizing the economic, social and political affairs of said state toward the construction of socialism. This often includes at least the "commanding heights" of the economy to be nationalised, usually operated according to a plan of production at least in the major productive and social spheres.<sup>[1]</sup> Under the Leninist definition, the socialist state presides over a state capitalist economy structured upon state-directed accumulation of capital with the goal of building up the country's productive forces and promoting worldwide socialist revolution, with the eventual long-term goal of building a socialist economy.<sup>[2]</sup>

Most theories assume widespread democracy, and some assume workers' democratic participation at every level of economic and state administration, while varying in the degree to which economic planning decisions are delegated to public officials and administrative specialists. States where democracy is lacking yet the economy is largely in the hands of the state are termed by orthodox Trotskyist theories "workers' states" but not socialist states<sup>[3]</sup> using the terms "degenerated" or "deformed" workers' states.

In the early 21st century, right leaning commentators, especially in the United States, have come to use the term "socialist state" to describe states which provide welfare provisions, such as healthcare and unemployment benefits, despite the economic basis of such states being privatized and operated for profits.<sup>[4]</sup>



This map indicates all areas of the world that, at some point in their history, were part of a state which declared itself to be socialist (according to its constitution). Different states used the word "socialism" with different meanings. The map uses present-day borders, which may not coincide with the borders of some past socialist states.

## Marxist concept of a socialist state

Henri de Saint-Simon, a pre-Marxian socialist, understood that the nature of the state would change under socialism from that of political rule (via coercion) over people to a scientific administration of things and a direction of processes of production; specifically, the state would become a coordinating entity for production as opposed to a mechanism for political control.<sup>[5][6]</sup>

Karl Marx understood the state to be an instrument of the class rule, dominated by the interests of the ruling class in any mode of production. Although Marx never referred to a "socialist state", he argued that the working-class would have to take control of the state apparatus and machinery of government in order to transition out of capitalism and to socialism. This transitional stage would involve working-class interests dominating the government policy (the "Dictatorship of the proletariat"), in the same manner that capitalist-class interests dominate government policy under capitalism. Fredrick Engels argued that the state under socialism is not a "government of people, but the administration of things", and thus would not be a state in the traditional sense of the term.

One of the most influential modern visions of a socialist state was based on the Paris Commune, in which the workers and poor took control of the city of Paris in 1871 in reaction to the Franco-Prussian War. Karl Marx described the Paris Commune as the prototype for a revolutionary government of the future, "the form at last discovered" for the emancipation of the proletariat.<sup>[7]</sup>

Friedrich Engels noted that "all officials, high or low, were paid only the wages received by other workers... In this way an effective barrier to place-hunting and careerism was set up".<sup>[8]</sup>

Commenting on the nature of the state, Engels continued: "From the outset the Commune was compelled to recognize that the working class, once come to power, could not manage with the old state machine".

In order not to be overthrown once having conquered power, Engels argues, the working class "must, on the one hand, do away with all the old repressive machinery previously used against it itself, and, on the other, safeguard itself against its own deputies and officials, by declaring them all, without exception, subject to recall at any moment." <sup>[9]</sup>

Such a state would be a temporary affair, Engels argued. A new generation, he suggested, brought up in "new and free social conditions", will be able to "throw the entire lumber of the state on the scrap-heap."

## Leninist conception of a socialist state

The Leninist conception of a socialist state is tied to Vladimir Lenin's theory of the revolutionary party and democratic centralism. The objective of Marxism is to build a mass workers' movement which can smash the capitalist state, replace it with a revolutionary socialist workers' state based on workers councils, and bring production under control by the worker's and peasants. According to Lenin's April Theses, the goal of the revolution and vanguard party is not the introduction of socialism, which could only be established on a worldwide scale, but to bring production and the state under the control of the Soviets of Workers' Deputies. Following the October revolution in Russia, the Bolsheviks consolidated their power and sought to control and direct the social and economic affairs of the state and broader Russian society in order to safeguard against counterrevolutionary insurrection, foreign invasion, and to promote socialist consciousness among the Russian population.

These ideas were adopted by Vladimir Lenin in 1917 just prior to the October Revolution in Russia and published in *The State and Revolution*, a central text for many Marxists. With the failure of the worldwide revolution envisaged by Lenin and Trotsky, the Civil War, and finally Lenin's death, war measures that were deemed to be temporary, such as forced requisition of food and the lack of democratic control, became permanent and a tool to boost Stalin's power, leading to the emergence of Marxism–Leninism and Stalinism, as well as the notion that socialism can be created and exist in a single state.

Vladimir Lenin argued that as socialism is replaced by communism, the state would "wither away"<sup>[10]</sup> as strong centralized control progressively reduces as local communities gain more empowerment. As he put succinctly: "So

long as the state exists there is no freedom. When there is freedom, there will be no state."

### Marxist–Leninist states

States run by Communist parties that adhere to Marxism–Leninism, or some variation thereof, refer to themselves as *socialist states*. The Soviet Union was the first to proclaim itself a "socialist state" in its 1936 Constitution and a subsequent 1977 Constitution. Another well-known example is the People's Republic of China, which proclaims itself to be a "socialist state" in its 1982 Constitution of the People's Republic of China. In the West, such states are commonly known as "communist states" (though they do not use this term to refer to themselves).

These "Communist states" often don't claim to have achieved socialism in their countries; rather, they claim to be *building* and working toward the establishment of socialism (and the development towards communism thereafter) in their countries. For example, the preamble to the Socialist Republic of Vietnam's constitution states that Vietnam only entered a transition stage between capitalism and socialism after the country was re-unified under the Communist party in 1976<sup>[11]</sup>, and the 1992 Constitution of the Republic of Cuba states that the role of the Communist Party is to "guide the common effort toward the goals and construction of socialism".<sup>[12]</sup>

The Democratic People's Republic of Korea (North Korea) used to be a Marxist-Leninist state. In 1972, the country adopted a new constitution, which changed the state ideology to "*Juche*". Today, although no longer a "communist state", the DPRK remains a constitutionally socialist state.

### Non-Leninist countries

Countries such as Portugal (which states that one of the primary roles of the Constituent Assembly is to open the way to socialist society)<sup>[13]</sup>, India and Algeria have used the term "socialist" in their official name or constitution without claiming to follow Communism or any of its derivatives.

In such cases, the intended meaning of "socialism" can vary widely, and sometimes the constitutional references to socialism are left over from a previous period in the country's history. In the case of many Middle-Eastern states, "socialism" was often used in reference to an Arab-socialist/nationalist philosophy adopted by specific regimes, such as that of Gamal Abdel Nasser and that of the various Ba'ath Parties.

Examples of countries using the word "socialist" in a non-communist sense in their names include the *Democratic Socialist Republic of Sri Lanka*. Countries with non-Leninist/communist references to socialism in their constitutions include India<sup>[14]</sup> and Portugal.

### Post-war European countries

In the post-war period, when nationalisation was relatively widespread, it was not uncommon for commentators to describe some European countries as socialist states seeking to move their countries toward socialism.

In 1956, for example, leading British Labour Party politician and author Anthony Crosland claimed that capitalism had been abolished in Britain and socialism established, although others, such as Welshman Aneurin Bevan, Minister of Health in the first post-war Labour government, disputed the claim that Britain was a socialist state.<sup>[15]</sup> For Crosland and others who supported his views, Britain was a socialist state. For Bevan, Britain had a socialist National Health Service which stood in opposition to the hedonism of Britain's capitalist society. He stated:

The National Health service and the Welfare State have come to be used as interchangeable terms, and in the mouths of some people as terms of reproach. Why this is so it is not difficult to understand, if you view everything from the angle of a strictly individualistic competitive society. A free health service is pure Socialism and as such it is opposed to the hedonism of capitalist society.

—Aneurin Bevan, *In Place of Fear*, p. 106

When the Socialist Party was in power in France in the post-war period, some commentators claimed that France was a socialist country, although, as in the rest of Europe, the laws of capitalism still operated fully and private

enterprises dominated their economy. Mitterrand's Government scheduled to nationalize all banks but this attempt faced opposition of the European Economic Community.

### **Economic interventionist and welfare states**

Conservative commentators have termed the 2008 bail-out of the banks, "Socialism", suggesting that the USA and the UK have become socialist,<sup>[16]</sup> but these comments are dismissed by government spokespersons and socialists alike, as the bailouts are more indicative of protectionism and/or interventionist capitalism.

Economic liberal (pro-capitalist) and socialist opponents of the claim that improving welfare benefits or increasing state regulation of financial activity makes a state "socialist" argue that the continued operation of capitalist economics in states like the USA shows that a state with welfare reforms is still a capitalist state, pointing to numerous forms of welfare state capitalism such as the social market economy, Rhine capitalism and Keynesian economics.

While most socialists do not claim that welfare provision makes a state socialist, various socialists nevertheless support welfare provision within the capitalist state as a temporary means to improve the conditions of the working class, independently of their advocacy for the establishment of socialism. Ever since (and even before) Marx and Engels called for "A heavy progressive or graduated income tax" and other reforms in the Communist Manifesto in 1848,<sup>[17]</sup> socialists have campaigned for welfare reforms of various kinds, including for universal health and unemployment benefits to alleviate the negative effects of capitalism on workers.

However, in Marx's time, some socialists, such as the German 'True Socialists'<sup>[18]</sup> opposed calling on the state to implement welfare reforms. They argued that welfare programs, regulation and progressive taxation were policies initiated by capitalist states (as opposed to being won from the capitalists as a result of the pressure of the working class) in an attempt to "patch up" the ineffective capitalist market economy, and were therefore attempts to treat the symptoms but not the cause of the issues. The Communist Manifesto, however, declared that this 'True' socialism, unintentionally "directly represented a reactionary interest."<sup>[19]</sup>

Many socialists support both "positive" and "negative" welfare.<sup>[20]</sup> Positive welfare is the provision by the state of opportunities for people to "help themselves". Negative welfare is the provision by the state or other institutions of a "safety net" or the distribution of benefits according to some criteria, for those who have been failed by the capitalist system. By implementing state or public ownership of the means of production and establishing socialist democracy, socialists believe the need for negative welfare - hand outs via redistribution - will disappear both because all individuals would receive enough compensation or resources from their workplace and because increasingly costs to the public at large, such as housing, healthcare and education, would pass into social provision at no cost to the individual.<sup>[21]</sup>

Marxists and socialists who advocate socialism argue that welfare states and (modern) social democratic policies limit the incentive system of the market by providing things such as minimum wages, unemployment insurance, taxing profits and reducing the reserve army of labor, resulting in capitalists have little incentive to invest; in essence, social welfare policies cripple the capitalist system and its incentive system, the only solution being a socialist economic system.<sup>[22]</sup>

Other socialists and Marxists<sup>[23]</sup> criticize welfare state programs as concessions made by the capitalist class in order to divert the working and middle classes away from pursuing a completely new socialist organization of the economy and society. They argue that welfare reforms had historically been used for this purpose in Prussia by Otto von Bismarck to ameliorate the impact of his anti-socialist laws, while others, such as Frederick Engels<sup>[24]</sup> argue that the campaigns of the Marxists in Germany forced Bismarck to carry out reforms. Socialists perceive social welfare states with modern social democratic policies, such as those in Sweden, to be capitalist states.<sup>[25]</sup>

Social democratic Reformist Marxist Aneurin Bevan, Minister of Health in the first post-war Labour government, who introduced the UK National Health Service (NHS), also takes the view that welfare programmes, such as health care which is free at the point of use for all, are concessions forced on capitalism by the struggles of the working

class and a "pure Socialism" embryo of the new socialist society gestating within capitalist society (see section 'Post-war European countries' above). In such conceptions (as in the example of the UK NHS), the taxation to pay for these services is intended to be taken largely if not entirely from the capitalist class, through a tax on corporation profits. Those earning less than £50,000 (\$43,000) in today's money (£500 then) only paid 5.3% in tax the year after the NHS was introduced in the UK in 1948.<sup>[26]</sup> These Marxists take the view that welfare programmes should be defended and improved with further nationalisations (such as, in the case of the health service, the drug companies) which would increase the income to the state, while at the same time campaigning for public ownership of the commanding heights of the economy to eliminate capitalism and establish a socialist society in which poverty will be eliminated.

... the power relations of public and private property must be drastically altered. The solution of the problems I have been discussing cannot be approached until it becomes possible to create a purposive and intelligible design for society. That cannot be done until effective social and economic power passes from one order of society to another."

—Aneurin Bevan, *In Place of Fear*, p. 144, 1961

## Establishing a socialist state by reformism or revolution

Reformist socialists and Marxists, exemplified by Eduard Bernstein, take the view that a socialist state will evolve out of political reforms won by the struggle of the socialists. "The socialist movement is everything to me while what people commonly call the goal of Socialism is nothing."<sup>[27]</sup> These views are considered a "revision" of Marxist thought.

Revolutionary Marxists, following Marx, take the view that, on the one hand, the working class grows stronger through its battle for reforms, (such as, in Marx's time, the ten-hours bill):

"Now and then the workers are victorious, but only for a time. The real fruit of their battles lies, not in the immediate result, but in the ever expanding union of the workers... it ever rises up again, stronger, firmer, mightier. It compels legislative recognition of particular interests of the workers, by taking advantage of the divisions among the bourgeoisie itself. Thus, the ten-hours' bill in England was carried."

—Marx and Engels, *Manifesto of the Communist Party*, Chapter I. Bourgeois and Proletarians <sup>[28]</sup>

However, on the other hand, in the orthodox Marxist conception, these battles of the workers reach a point at which a revolutionary movement arises. A revolutionary movement is required, in the view of Marxists, to sweep away the capitalist state, which must be smashed, so as to begin to construct a socialist society:

"In depicting the most general phases of the development of the proletariat, we traced the more or less veiled civil war, raging within existing society, up to the point where that war breaks out into open revolution, and where the violent overthrow of the bourgeoisie lays the foundation for the sway of the proletariat."

—Marx and Engels, *Manifesto of the Communist Party*, Chapter I. Bourgeois and Proletarians <sup>[28]</sup>

In this view, only in this way can a socialist state be established.

## Controversy with the term

Because there are several different branches of socialism, a country's claim to the label of "socialist state" or "socialist republic" is almost always disputed by some branch. Indeed, there are many socialists who strongly oppose certain (or all) self-proclaimed socialist republics. Trotskyists, for instance, are particularly known for their opposition to what they term «Stalinist states».

Within the socialist movement, a number of criticisms are maintained towards the use of the term "socialist states" in relation to countries such as China and previously of Soviet Union and, Eastern and Central European states before what some term the 'collapse of Stalinism' in 1989. Democratic Socialists, left communists,<sup>[29]</sup> Anarchists and some Trotskyists<sup>[30]</sup> claim that the so-called "socialist states" or "people's states" were actually state capitalist and thus cannot be called "socialist".

Other Trotskyists, while agreeing that these states could not be described as socialist, deny that they were state capitalist.<sup>[31]</sup> They support Trotsky's analysis of (pre-restoration) USSR as a workers' state that had degenerated into a "monstrous" bureaucratic dictatorship which rested on a largely nationalised industry run according to a plan of production, and claimed that the former "Stalinist" states of Central and Eastern Europe were deformed workers' states based on the same relations of production as USSR.

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# The New Palgrave Dictionary of Economics

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*The New Palgrave Dictionary of Economics* (2008), 2nd Edition, is an eight-volume reference work on economics, edited by Steven N. Durlauf and Lawrence E. Blume. It contains 5.8 million words and spans 7,680 pages with 1,872 articles. Included are 1057 new articles and, from earlier, 80 essays that are designated as "classics", 157 revised articles, and 550 edited articles. It is the product of 1,506 contributors, including 25 Nobel Laureates in Economics. It is also available in a searchable, hyperlinked online version <sup>[1]</sup> with added content from quarterly updates. The articles are classified according to the *Journal of Economic Literature* (JEL) classification codes. The publisher is Palgrave Macmillan.

The first edition, *The New Palgrave: A Dictionary of Economics* (1987), was published in four volumes.<sup>[2][3]</sup> Institutional access to full-text online articles for both editions is available by subscription.<sup>[4]</sup>

## Reviews of the 1987 edition

### General remarks

Reviewing the 1987 edition for the *New York Times*, Robert M. Solow concluded that "this is a dictionary only in a very special sense. There are excellent survey articles, in various sizes, on various subjects. But the best of them are written by professionals for professionals." According to Solow, graduate students in economics would find the dictionary useful, but most of the articles would be inaccessible to non-economists, even undergraduate students of the liberal arts. For economists, however, the dictionary provided many excellent overviews of contemporary research.<sup>[5]</sup> In response, editor Milgate (1992) confirmed that the articles were written for an audience of professional economists, and so neither for the general reading public nor for specialist economists.

### Mathematics and contemporary economics

Presenting the results of contemporary economics to the general reader is difficult, because mathematics is so prevalent. Economics articles typically use linear algebra, calculus, optimization theory, statistics, and econometrics. If anything, the *New Palgrave* downplayed mathematics, in comparison to leading economic journals, according to Milgate. Only 24% of the columns contained "any mathematics" (and so required expensive hand-typesetting), while only 25% of the most recent issue of the *American Economic Review* (AER) in fact lacked mathematics, according to Milgate, who averred that the AER's mathematical usage was typical of leading contemporary journals: The *New Palgrave's* usage of mathematics was the reciprocal of the contemporary profession's! (Milgate 1992, p. 299) "It must be concluded that the *New Palgrave* actually under-represented the mathematical element in modern economics; and under-represented it to a significant degree", wrote Milgate & 1992 (300).

Commenting on contemporary economics, Solow described technical economics as its essential "infrastructure":

There is a lesson in the fate of *Palgrave*. Economics is no longer a fit conversation piece for ladies and gentlemen. It has become a technical subject. Like any technical subject it attracts some people who are more interested in the technique than the subject. That is too bad, but it may be inevitable. In any case, do not kid yourself: the technical core of economics is indispensable infrastructure for the political economy. That is why, if you consult *Palgrave* looking for enlightenment about the world today, you will be led to technical economics, or history, or nothing at all.<sup>[5]</sup>

More advanced mathematics was implicit in some of the articles, many of which were well written and reasonably accessible. Solow recommended the "broad and deep" article on game theory by Robert J. Aumann for well-equipped graduate students, along with John Harsanyi's article on bargaining theory. The articles on financial economics were "written by the best people—Stephen Ross, Robert Merton, and others—and they show it"; however, they were too difficult for the average investor. Complimenting the article on international trade, Solow

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added a *caveat lector*: "But God forbid that" a reader without knowledge of economics should try to understand protectionism, by consulting the *New Palgrave*.<sup>[5]</sup>

In his review, George Stigler commended the dictionary's non-technical and conceptually rich article on social choice, which was written by Kenneth Arrow, among "numerous" excellent articles. However, Stigler criticized the inclusion of "dozens" of articles in mathematical economics, which failed to provide intuitive introductions to the problem, how it was solved, and what the solution is: "These articles were written, not for a tolerably competent economist, but exclusively for fellow specialists."<sup>[6]</sup>

### Exclusion of empirical material

Whitaker wrote, "Readers to whom economics is nothing if not a science based on empirical inquiry may be dismayed by the lack of attention to empirical studies and factual matters".<sup>[7]</sup>

Stigler criticized the *New Palgrave* for largely ignoring empirical economics—economic data, summary statistics, and econometric investigations. According to Stigler, the empirical investigation of consumption and production functions has profoundly influenced microeconomic theory, while the empirical investigation of price levels has profoundly influenced monetary economics: The *New Palgrave*'s neglect of empirical economics also weakened its treatment of economic theory and the history of economic thought. Furthermore, the editors failed to explain their neglect of empirical economics, while they gave large space to treatments of "technical economics", especially mathematical economics, and faddish topics, wrote Stigler.<sup>[8]</sup>

"The article on 'Profit and profit theory' does not contain a single number for what profits are or ever have been, in the United States or any other country, or any reference to any source that might provide such a number", wrote Herbert Stein, who complained "There are articles about elasticities of this or that but no estimate of the elasticity of anything."<sup>[9]</sup>

Reviewing the critics of the over-emphasis on theoretical and "doctrinal" economics, editor Milgate admitted that the *New Palgrave* was flawed by its neglect of empirical economics.<sup>[10]</sup>

### Criticisms of undue weight for heterodox approaches

Robert M. Solow criticized the 1987 edition for slighting mainstream economics by giving excessive space to the "dissenting fringes within academic economics", namely Marxist economics as well as "Austrian persuasion", Post-Keynesians, and neo-Ricardian.<sup>[5]</sup>

Nevertheless, there is usually a definite consensus—there is one now—and an accurate picture of the discipline would make that clear. It would have to give dissent a fair shake. It would have to treat mainstream ideas critically. But it should keep the various "paradigms" in proportion. I do not think *The New Palgrave* has managed to do that.

The most obvious, though not the most important, manifestation of imbalance is the large number of items devoted to Marxist themes, from "abstract and concrete labor" to "vulgar economy." Some of the articles are informative, some are mystifying; but that is not the point. Marx was an important and influential thinker, and Marxism has been a doctrine with intellectual and practical influence. The fact is, however, that most serious English-speaking economists regard Marxist economics as an irrelevant dead end. *The New Palgrave* does not take up the issue head on, but I think it gives a false impression of the state of play by this deadpan statement. It is rather as if a medical dictionary were to intersperse articles on mainstream orthopedics, written by orthopedists, with articles on osteopathy, written by osteopaths, and were to leave it at that.<sup>[5]</sup>

The 1987 dictionary's discussion of heterodox approaches was also criticized by George Stigler, who complained that these articles were written by sympathetic editors in a partisan manner:

"The selection of sympathetic writers ... is in fact a general practice in *Palgrave II*. Israel Kirzner's essay on the Austrian economists does not hint at the existence of error, misrepresentation of critics, or

tasteless attacks upon the German Historical School, and Klaus Henning did little better with Böhm-Bawerk. An ersatz Austrian is apparently more loyal than the genuine article."<sup>[6]</sup> (Italics added)

Stigler complained about the extensive and biased articles on Marxist economics, including "neo-Ricardian" economists (who follow Piero Sraffa): "A nonprofessional reader would never guess from these volumes that economists working in the Marxian-Sraffian tradition represent a small minority of modern economists, and that their writings have virtually no impact upon the professional work of most economists in major English-language universities." Stigler provided a table of articles that were biased by Marxist orthodoxy and criticized some authors by name, especially a "violently pro-Marxist" entry by C. B. Macpherson.<sup>[6]</sup>

## Editors and contributors of the revised 2008 edition

The General Editors are Steven N. Durlauf and Lawrence E. Blume

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Other high-profile contributors include:

- Daron Acemoğlu, John Bates Clark Award; member of the American Academy of Arts and Sciences; author of the forthcoming book *Introduction to Modern Economics Growth*
- Philippe Aghion, 2001 Yrjö Jahnsson Award; co-editor of *Handbook of Economic Growth*
- William Baumol, author of *Good Capitalism, Bad Capitalism, and the Economics of Growth and Prosperity*
- Alan Blinder, Vice Chairman, Board of Governors, US Federal Reserve; member of Council of Economic Advisors (Clinton Administration); member of the American Academy of Arts and Sciences; author of *Hard Heads, Soft Hearts: Tough Minded Economics for a Just Society*
- Samuel Bowles, served as an economic advisor to the World Bank and the International Labor Organization; co-author of *Schooling in Capitalist America* and *Microeconomics: Behavior, Institutions and Evolution*
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- William Easterly, author of *The Elusive Quest for Growth : Economists' Adventures and Misadventures in the Tropics* and *The White Man's Burden: Why the West's Efforts to Aid the Rest Have Done So Much Ill and So Little Good*
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- Steven Levitt, author of *Freakonomics*
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- Richard Posner, Judge, United States Court of Appeals for the Seventh Circuit
- Jeffrey Sachs, author of *The End of Poverty*
- Thomas Sargent, former president of the American Economic Association; former president of the Econometric Society; member of the American Academy and National Academy
- Robert Shiller, author of *The Subprime Solution: How Today's Global Financial Crisis Happened, and What to Do about It*

Nobel Laureate contributors include George Akerlof, Maurice Allais, Kenneth Arrow, Robert Aumann, James Buchanan, Gérard Debreu, Milton Friedman, Clive Granger, John Harsanyi, James Heckman, Leonid Kantorovich, Wassily Leontief, Harry Markowitz, Robert C. Merton, Roger Myerson, Edmund Phelps, Edward Prescott, Paul Samuelson, Amartya Sen, Herbert A. Simon, Vernon L. Smith, George Stigler, Joseph E. Stiglitz, James Tobin, and William Vickrey.

A complete list of articles and associated authors is here <sup>[11]</sup>. The articles are classified according to the *Journal of Economic Literature (JEL)* classification codes.

## ***The New Palgrave: A Dictionary of Economics***

*The New Palgrave: A Dictionary of Economics* (1987) is the title of the first *New Palgrave* edition. It is a four-volume reference edited by John Eatwell, Murray Milgate, and Peter Newman. It has 4,000 pages of entries, including 1,300 subject entries (with 4,000 cross-references), and 655 biographies. There were 927 contributors, including 13 Nobel Laureates in Economics at the time of first publication. It includes about 50 articles from *Palgrave's Dictionary of Political Economy* (1925–1927).<sup>[3]</sup> It was roughly twice the length of its predecessor and differed further in excluding most subjects not on economics or closely related to its practice.<sup>[12]</sup>

### **Contents by volume number**

Contents include;

List of Entries A-Z, including cross-references, at the beginning of each volume.

Volume 1: A-D.

Volume 2: E-J.

Volume 3: K-P.

Volume 4: Q-Z.

Appendix I: Entries by author

Appendix II: Biographies of persons in *Palgrave's Dictionary* (1925) but not *The New Palgrave*

Appendix III: Entries by author in *Palgrave's Dictionary* (1925-27)

Appendix IV: Subject Index

Index: 38 pp.



## Earlier editions

R. H. Inglis Palgrave's *Dictionary of Political Economy* (1894–1899), 3 v., was the forerunner of *The New Palgrave*. The initial contractual agreement between Palgrave and the publisher Macmillan & Co. is dated 1888. Serial installments in 1891-92 had disappointing sales. An appendix was added to Volume III <sup>[13]</sup> in 1908, so completing publication of the set. The *Dictionary* was wide-ranging and sometimes idiosyncratic. It included for example a comprehensive treatment of laws on property and commercial transactions. Professional reaction has been described as generally favorable and unsurprising, "given that almost all economists of any repute had already endorsed the enterprise by agreeing to contribute."<sup>[12]</sup> Nearly thirty years after the first volume appeared, *Palgrave's Dictionary of Political Economy* (1923–1926), edited by Henry Higgs, appeared with Palgrave's name added to the title but few changes in structure or contents.<sup>[14]</sup> }

## Notes

[1] <http://www.dictionaryofeconomics.com>

[2] "The New Palgrave Dictionary of Economics" PDF ([http://www.dictionaryofeconomics.com/stored\\_media?id=StoredMedia\\_PressKit\\_US.pdf](http://www.dictionaryofeconomics.com/stored_media?id=StoredMedia_PressKit_US.pdf)) (press +) from Palgrave Macmillan (U.S.).

[3] *The New Palgrave: A Dictionary of Economics* (1987). Description. (<http://www.palgrave.com/products/title.aspx?is=0333740408>)

[4] *The New Palgrave Dictionary of Economics Online*. (<http://www.dictionaryofeconomics.com>)(subscription required)

[5] Robert M. Solow, *New York Times* "The Wide, Wide World of Wealth", March 28, 1998 (<http://www.nytimes.com/1988/03/20/books/the-wide-wide-world-of-wealth.html?pagewanted=3&src=pm>)

[6] Stigler (1988, p. 1732)

[7] (1988, p. 484) according to Milgate:

Whitaker, John K., 1989. "Palgrave resurrected: a review article", *Journal of Political Economy*, 97(2), April, pp. 480-496.

[8] Stigler (1988, p. 1731)

[9] (1988, p. 3), according to Milgate:

Stein, Herbert, 1988. "The state of economics", *The AEI Economist*, January, pp. 1-7.

[10] Milgate (1992, p. 291)

[11] [http://us.macmillan.com/CMS400/uploadedFiles/PalgraveTrade/Non-Menu\\_Items/dictionary\\_articles.pdf](http://us.macmillan.com/CMS400/uploadedFiles/PalgraveTrade/Non-Menu_Items/dictionary_articles.pdf)

[12] George J. Stigler (1988). "Palgrave's Dictionary of Economics", *Journal of Economic Literature*, 26(4), p. 1729. (<http://www.jstor.org/pss/2726859>) [Pp. 1729-1736.]

[13] [http://books.google.com/books?id=rhsNAQAIAAJ&printsec=frontcover&source=gbs\\_atb#v=onepage&q&f=false](http://books.google.com/books?id=rhsNAQAIAAJ&printsec=frontcover&source=gbs_atb#v=onepage&q&f=false)

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represent society (i.e., us) and the general interest, and through its mediation many B-workers consider themselves their own bosses. Since the State has assumed essential functions everywhere (pensions, health services, social security, police), it seems to be indispensable, and any attack against it easily looks like suicide. But the State is really just nother face of the Machine, not its abolition. Like the market, it constitutes its anonymity by means of massification and isolation, but in this case it's The Party (or parties), bureaucracy, the administrative apparatus, that fulfills this task. (In this context, we're not talking about democracy or dictatorship. A **socialist state** could in fact be perfectly democratic. There's no intrinsic reason why socialism even in the USSR shouldn't become democratic one day. The form of the state itself, though, always means dictatorship; it's just a question of degree how democratically its legitimation is organized.)