

Author: Justin P. Holt

Final version published in *Critique*, 40(1), 2012

G.A. Cohen on the Feasibility of Socialism; or, how the Market Makes Socialist Values Unlikely

Abstract

G.A. Cohen attempts to provide a case for socialism that takes into consideration the reasons why socialism is desirable and what are some of the problems for its feasibility. He finds that the kind of community sentiment which socialism requires is possible, but the devices of social organization that can facilitate the growth of socialist sentiment along with the effective transmission of information are not currently known. In short, Cohen thinks social scientists and philosophers need to find how to harness the information transmission capacity of market exchange without the motivational encouragement of rapacious self-interest that market exchanges foster. This paper argues that Cohen's appraisal of the ineffectiveness of informational transmission in socialist planned economies is incorrect. A democratically planned socialist economy can serve as the basis for the fostering of the socialist community sentiment that Cohen advocates along with the required transmission of economic price information.

Introduction

G.A. Cohen attempts to provide a case for socialism, which takes into consideration the reasons why socialism is desirable and what are some of the problems of its applicability. He finds that the kind of community sentiment which socialism requires is possible, but that the devices of social organization that facilitate the growth of socialist sentiment along with the effective transmission of information are not currently known how to be implemented. In short, Cohen thinks social scientists and philosophers need to find how to harness the information

transmission capacity of market process without the motivational encouragement of self-interest that occurs with market exchanges (Cohen, 2009).

This paper argues that Cohen's appraisal of the ineffectiveness of informational transmission in socialist planned economies is incorrect; and that a democratically planned socialist economy can serve as the basis for the fostering of the socialist community sentiment that Cohen advocates. Cohen underestimates the attempts made by socialist economists to develop theories of planned economies which effectively transmit information that also serve as the ground for building socialist sentiment.

This paper will be divided into the following sections. First, there will be an overview of Cohen's argument including his discussion of socialist equality of opportunity and its problems: socialist community sentiment and the desirability of socialism. Second, there will be a discussion of the prime problem of socialism, which is how to make a socialist economy work; Cohen finds that only markets can serve as a means for distributing information, but he wishes that they also didn't encourage self-interest. An overview will be made of Cohen's discussion of two anti-capitalist economic models: the Carensian scheme and the Roemerian scheme. He hopes that the Roemerian scheme can be added to the Carensian scheme so markets can distribute information without encouraging selfish motives. Third, a critique of Cohen's consideration of the organizational problems of planning will be made. This part will include an overview of several socialist planning models. A non-market informational basis could provide a ground for Cohen's hope that friendship/socialist community can take hold. It will be argued that Cohen's conclusions about the infeasibility of socialism are unfounded due to the various non-market socialist proposals. The concluding section will discuss the struggle for socialism within

capitalism and the relationship between socialist community spirit and the development of an anti-capitalist ethos.

1. Cohen's Socialist Equality of Opportunity and the Socialist Community.

Cohen advocates two principles that a society should be organized around if it is to be fair according to socialist standards: an egalitarian principle and a principle of community. Cohen finds that the egalitarian principle he advocates allows certain types of inequalities he thinks should be mediated. The principle of community is accordingly required to mediate these resulting inequalities.

The egalitarian principle that Cohen endorses is called socialist equality of opportunity. This type of egalitarian principle “seeks to correct for *all* unchosen disadvantages, disadvantages, that is for which the agent cannot herself reasonably be held responsible, whether they be disadvantages that reflect social misfortune or disadvantages that reflect natural misfortune (Cohen, 2009, 17-18).” Socialist equality of opportunity thus attempts to equalize the starting points of people in society according to any disadvantages people have that have been brought about through cognitive, physical or social causes. Also, socialist equality of opportunity also equalizes any disadvantages that affect people by “circumstances of birth and upbringing (Cohen, 2009, 16)” or “socially constructed status restrictions, both formal and informal (Cohen, 2009, 15).”¹

¹ These additional disadvantages of socially constructed status and the effects of birth and upbringing are identified by Cohen as corrected by two different principles of equality, respectively *bourgeois* equality of opportunity and left-liberal equality of opportunity (Cohen, 2009, 14-16). Socialist equality of opportunity contains both of these other egalitarian principles and in addition includes equality for all unchosen disadvantages (Cohen, 2009, 14).

But, socialist equality of opportunity allows three types of inequalities because people have different preferences with regard to how they use their income and their ratio of work to leisure. Thus, people can have very different social outcomes because they can use their income or their time in any way they wish.² Three kinds of inequalities emerge due to these preference ranges: 1) inequalities resulting from lifestyle preferences, 2) inequalities resulting from regrettable choice, and 3) inequalities resulting from option luck (Cohen, 2009, 25-33). The first kind of inequality Cohen thinks is unproblematic and he doesn't discuss it further (Cohen, 2009, 25). The second and third kinds of inequalities Cohen thinks are very problematic for a socialist society and he devotes considerable space to their examination.

Inequalities resulting from regrettable choice are due to people not taking the time to consider if their choices are to their liking. For example, people may regret their selection of job training, the actual tasks of their job, or the remuneration of their chosen profession (Cohen, 2009, 27). Cohen realizes that people's poor choices are not subject to grievance since they are unforced. But, the regrettable choices that people make may result in inequalities that should be avoided for society to be cohesive. The outcomes that arise from option luck can also create inequalities that are not due to any wrong being committed. If people can control their incomes in anyway they wish they could invest or spend it in ways that will result in inequalities. Once again, these inequalities can be detrimental to the cohesiveness of society.

In order to limit the effects of these inequalities Cohen recommends that a principle of community must temper the principle of socialist equality of opportunity (Cohen, 2009, 34-35).

² Since Cohen does not introduce the typical aspects of socialism until he discusses the principle of community I have found it out of place that people can have a preference for dividing up their work to leisure ratio in any way they wish. The ability to select how much you wish to work seems dependent on socialization of the means of production, which is never explicitly stated by Cohen. Accordingly, the problems resulting from being able to choose how much one wishes to work would require that one can choose to do so; which means that the first mode of the principle of community, limited income inequalities, already obtains. This is the case because if one can limit the range of wages then one can also limit the amount of time spent at work.

There are two modes to a socialist principle of community: limitation of inequalities in income and wealth and communal reciprocity. The first mode is simply the limitation of economic inequalities in order to prevent society developing into two, or more, separate communities without a shared common life (Cohen, 2009, 35-36). People who live at significantly different income levels have different conceptions of what their lives should be about. For example, an Indian peasant's concerns about the problems of her life are significantly different than a Mumbai biochemist's. Limiting economic inequalities so people share a common community perspective lessens the effects of regrettable choice and option luck. If income and wealth are limited to a certain range, then the results of people choices will be limited in the scope of disadvantage.

The second mode of socialist community spirit Cohen calls communal reciprocity. As he puts it: "Communal reciprocity is the antimarket principle according to which I serve you not because of what I can get in return by doing so but because you need or want my service, and you for the same reason, serve me (Cohen, 2009, 39)." Communal reciprocity differs from market reciprocity because in the market variety people exchange services "on the basis of cash reward (Cohen, 2009, 39)." The second mode of socialist community spirit involves people altering their motivations for why they participate in the economic sphere. The first mode of economic inequality does not necessarily alter the way people think about their economic actions. One could still truck and barter seeking cash reward with a limit on the amounts one could accumulate. But, the second mode requires people to exchange with others' needs and wants in mind.³ It thus requires that people think of others as their friends and not as mere

³ Cohen discussed extensively the limits of redistribution without a change in political sentiment in Cohen, 2008. Cohen position is in contrast to DeMartino's and Burczak's who self-described anti-essentialist normative positions take the lead from the capabilities work of Nussbaum and Sen (DeMartino, 2003, 2004; Burczak, 1998, 2006). Capability theory is understood by Sen to be consequentialist (Sen, 1999, chapter 3). Cohen, on the other hand, considered his position to be a deontological one (Cohen, 2008, 4). Cohen, DeMatino, Burczak, and Sen all search for a common ethos for society to be grounded upon, but the range of this common ethos is different for all of them

mechanisms to achieve their desires: “It suffices that I treat everyone with whom I have any exchange or other form of contact as someone toward who I have the reciprocating attitude that is characteristic of friendship (Cohen, 2009, 52).”⁴

The second mode of communal reciprocity further limits the inequalities produced by regrettable choice and option luck by rendering their outcomes as something that should be rectified as opposed to in market reciprocity where the outcomes are understood to be of no importance. In addition, these outcomes of inequality can easily be understood as beneficial since within market exchange the loss of others increases the ability of one to obtain what one wants, whereas communal reciprocity would find such a loss as destructive to the social unity that allows for socialism (or really, any society) to flourish. Cohen is skeptical that Pareto-efficient outcomes require differential remuneration (Cohen, 2008, chapter 2).⁵

and how one derives this ethos is also different for each. The capability theorists take an inductive approach to how a set of capabilities can be compiled (Sen, 1999, chapter 10; Demartino, 2003, 22; Burczak 2006, 84). Cohen favors an intuitionist approach, which he describes as: “[W]e determine the principles that we are willing to endorse through an investigation of individual normative judgments on particular cases, and while we allow that principles that are extensively supported by a wide range of individual judgments can override outlier judgments that contradict those principles, individual judgments retain a certain sovereignty (Cohen, 2008, 4.)”

⁴ Cohen notion is reminiscent of Aristotle’s concept of concord, i.e. political friendship, (Aristotle, 1984, 170, 1167b3-9).

⁵ Cohen’s interest in ameliorating the effects of regrettable choice and option luck violates Hayek’s and Burczak’s concerns with incentives. If people were not responsible for their life’s outcomes then this would create inefficiencies (Burczak, 1998; 2006, 35). Cohen’s consideration of what are morally acceptable incentives renders his consideration of the Hayek-Burczak critique to be unjust (Cohen, 2008). Burczak’s use of the labor theory of property is at odds with Cohen’s normative position. Cohen critiques the labor theory of property and an extension of the theory called self-ownership in his extensive analysis of Nozick. Cohen thinks that the self-ownership stance is ultimately indefensible and can’t be used to justify redistribution (Cohen, 1995). But, Burczak’s endorsement of redistribution outside of the market via a welfare state and the redistribution of wealth through stakeholder grants does lean in the direction that a socialist community spirit is in place to promote such redistribution (Burczak, 2006, 137 and 143). Burczak is able to have the labor theory of property and redistribution since he does not adopt a natural rights based normative position. DeMartino, another socialist concerned with normative matters, endorses “democratic decision-making over surplus production, appropriation, and distribution (DeMartino, 2003, 22).” Also, DeMartino wants to stress the importance of class justice. This requires the public acknowledgment of an ethos that legitimizes socialist normative claims (DeMartino, 2003, 27). Burczak criticizes the extent of DeMartino’s normative theory as running afoul the critiques of centralized planning (Burczak, 2004). Such decision-making and class publicity would necessitate some kind of encouraging mechanism for the development of a socialist community spirit. As discussed below Cohen neglects, at least in his work under consideration in this paper, the formation of socialist community spirit through the struggle for socialism *within* capitalism. One could argue that Cohen does endorse such formation elsewhere (Cohen, 1983). DeMartino acknowledges such formations (DeMartino, 2003, 29).

2. Can Socialism Be Made to Work? Cohen's Endorsement of Market Socialism with Socialist Community Spirit

Cohen's explanations of the results of socialist principles of equality and of community demonstrate what he thinks are a plausible case for the desirability of socialism (Cohen, 2009, 52). But, Cohen knows that the apparent desirability of socialism does not demonstrate socialism's feasibility. Cohen lists two reasons why socialism is commonly considered not to be feasible, which in turn determine his endorsement of market socialism with a socialist community spirit. The two reasons are: first, that people are "by nature insufficiently generous and cooperative;" second, "even *if* people are, or could become, in the right culture sufficiently generous, we do not know how to harness that generosity; we do not know how, through appropriate rules and stimuli, to make generosity turn the wheels of the economy (Cohen, 2009, 55)." Of these two reasons Cohen thinks that the second is the most pressing problem (Cohen, 2009, 57-58).

Why Cohen thinks the second reason, of how to make a socialist economy work, is the biggest problem is because of what he considered to be the current view of many socialist economists on the transmission of information, which is that only the market can do this efficiently (Cohen, 2009, 60). This is why Cohen thinks that only some kind of market socialism is a possible answer to the second reason of infeasibility.

If only a market can transmit information correctly then Cohen is faced with a problem about the motivational effects of market exchanges (Cohen, 2009, 61). As he showed earlier, market exchanges do not foster communal reciprocity; they do not create a community of friendship that is necessary to effectively eliminate the inequalities of regrettable choice and option luck. Cohen thus has a dilemma: how does one use the market mechanism to do something that it has never done, nor will ever seem to do? Since markets are effective transmitters of information when they are competitive,⁶ how can Cohen have a market operate in a manner that is apparently contrary to its effective operation?

Cohen does have an ingenious solution, but as will be shown it does not really solve the problem of the second reason for infeasibility. His solution is a combination of two theories by Joseph Carens and John Roemer. Roemer developed a theory of market socialism where all people own stocks in firms that have been socialized. People cannot sell the stock they are given but they can trade their stocks for other stocks and they also enjoy dividend payments. Roemer's scheme accordingly allows for the efficiency of capital markets without the existence of capitalists (Cohen, 2009, 70-71).⁷ Thus, Roemer's scheme provides the required efficient transfer of information, which Cohen thinks only a market can provide. Also, Roemerian market socialism does limit inequality, according to the second mode of community, by preventing people from cashing out of the stock market. But, Roemer's scheme alone does not provide for communal reciprocity: "Market socialism is also a deficient socialism because the market exchange that lies at its heart tends against the value of community (Cohen, 2009, 75)." But, it must be noted, though Cohen does not mention it, that Roemer's scheme does eliminate large

⁶ As will be discussed below, socialists who advocate planning rely on the conclusion that markets are not competitive most of the time. Rather, they find that market failure is pervasive and significant. If this is true then the case for markets as efficient transmitters of information is called into doubt.

⁷ Cohen is summarizing Roemer, 1994.

wealth holdings and thus limits the gains individuals can obtain from fostering the creation of negative externalities, thereby homogenizing the potential gains and losses of a populace.

Roemer's market socialism does lessen the antagonisms between people, but it does not provide a basis for the formation of a socialist community spirit.⁸

In order to correct the absence in Roemer's model Cohen thinks that the use of a scheme that was proposed by Joseph Carens may help.⁹ Carens scheme is where, in Cohen's words, "a society in which what looks like a standard capitalist market organizes economic activity, but the tax system cancels the disequalizing results of the market by redistributing income to complete equality (Cohen, 2009, 63)." Carens' scheme thus "relies entirely on non-self-interested choice" to allow for efficient informational transfer and communal reciprocity to obtain (Cohen, 2009, 65). The possibility of a combination of both Roemerian and Carenian scheme would allow for a socialist market economy to be both efficient and foster socialist values.

Cohen's solution for the second reason of infeasibility does not demonstrate how a socialist spirit of community is built. In order for the Carens' effect to ameliorate the motivational problem of market exchanges a socialist spirit must *already exist*. A Carens' post-market exchange redistribution requires people to be both rational wealth maximizers, in the sense of distributing resources to their most efficient use, and to also ultimately want their maximization to be for communal reciprocity.¹⁰ It seems that the Carens' system will work if it already works, which means simply, there is no explanation of how to make it work. Cohen does realize the

⁸ Burczak finds that Roemer's scheme is lacking on the formation of socialist appropriative justice (2006, 137). The lack of people having control, or appropriation, of the productions of their labor will not foster a socialist spirit within the firm. But, Burczak's appropriation justice does not include societal members beyond the firm. This level of appropriative justice Burczak finds will lead to the problems indicative of Hayek's critique of central planning (Burczak, 2004).

⁹ The scheme that Cohen discusses is from Carens, 1981.

¹⁰ A market equilibrium will distribute anything which people prefer, thus people must prefer their maximizations are for community reciprocity and not for market dominance for the Carens proposal to work. On this point see Sen, 1999, 118.

shortcomings of his tentative recommendations for a feasible socialism (Cohen, 2009, 95). He may have reached a more definite conclusion if he considered planning based theories of socialism.

3. Planned Economies and the Promotion of Socialist Values

To restate Cohen's conclusion: Cohen finds that the main problem for the feasibility of socialism is that people do not know how to make a socialist society work. According to Cohen's analysis, there is no known mechanism to transfer information efficiently in an economy other than a market; but the market, while allowing the efficient transfer of information, does not foster the growth of communal reciprocity. In this section I will argue against Cohen's conclusion that the only way to transfer information with an economy is via the market. If there is an effective planning mechanism that can transfer information and foster the growth of communal reciprocity then the feasibility of a socialist society is greater than Cohen thinks. This section will give a brief review of planned economies that have existed, give an overview of market failure, consider several proposals for planned socialist economies, discuss the potential for planning to foster communal reciprocity, and briefly discuss the problems of innovation and incentives within socialist economies.

The common understanding of the performance of planned economies has definitely colored people's appraisal of the effectiveness of planning. David Kotz and Fred Weir analyzed the performance of the economy of the Soviet Union and have found that many of the conventional understandings of Soviet performance are incorrect (Kotz and Weir, 1997). In their work they have demonstrated that the Soviet planning system always registered positive growth rates after

the Second World War, but growth did slow down from the mid-1970's onward (Kotz and Weir, 1997, 42 and 45). Also, contrary to Cohen's understanding of planned economies the Soviet economy was able to grow beyond industrialization and did achieve advances in certain areas (Cohen, 2009, 67; Kotz and Weir, 1997, 1 and 51).

One of the most important observations by Kotz and Weir is that the Soviet economy only failed to grow when it was being actively dismantled from 1990 onward (Kotz and Weir, 1997, 75). As noted, slowdown in growth and technological innovation did occur, but the Soviet economy did have some features of a socialist community, such as: full-employment, free education, low cost child-care, low rents, inexpensive vacations, free health care, and guaranteed pensions (Kotz and Weir, 1997, 27.)¹¹

Also, we must remember that even though centrally planned economies did have growth problems there is not widespread agreement of the supposed efficiency of markets to transmit information. Minqi Li goes as far as to question the superiority of the market process over planning due to market failures:

According to the "market socialists," an economic system based on central planning (or allocation of resources according to political and social decisions) is inevitably inefficient as the planning authority lack the sufficient amount of accurate information to make the appropriate decisions. However, as is widely recognized by all heterodox economists and indeed some neoclassical economists, the capitalist market economy suffers from various "market failures" that are comparable to or worse than the informational problem of central planning. Thus, at a theoretical level, it is by no means obvious whether an "imperfect" capitalist market economy is at all more "efficient" than a central planned economy. (Li, 2008, 179-180).¹²

¹¹ On the performance of the Chinese economy during its socialist phase (1948-1975) see Li, 2008.

¹² Hahnel has an extensive discussion of market failures (2002, 84-99). He summarizes his analysis as: "Theory tells us free market economies will allocate too much of society's resources to goods whose production or consumption entail negative external effects, and too little to goods whose production or consumption entail positive external effects, and there is every reason to believe the misallocations are significant. When markets are less than perfectly competitive – which they almost always are – and fail to equilibrate instantaneously – which they always do – the results are that much worse (Hahnel, 2002, 99)." See E.K. Hunt for an additional consideration of how markets foster an "invisible foot," which is the propensity for market actors to seek negative externalities due to the gains produced by these externalities, (Hunt, 1992, 488; Hunt and D'Arge, 1973).

Li also finds that the coordination failures of a market economy make problems such as environmental decay impossible to correct within a market system. Planning may be the only way to prevent environmental catastrophe and the only way to equitably structure a world economy dealing with the repercussions of climate change (Li, 2008, 180).¹³

Laibman has argued that market generated prices fail to accurately account for social reproduction prices, the replacement value of capital goods, and noise created by short-term fluctuations. The reproduction of a society depends on assets that are not held by individual private (or market socialist) firms. Since these assets are not part of the pricing of commodities their costs are externalized. Thus, the reproduction of a society's productive capacity is not effectively registered in the market pricing of commodities:

As the enterprise becomes more and more dependent on wider social activities (in particular, the educational system) for generation of the resources used in production, this externality grows over time, and the cost of the discrepancy between market-socialist equilibrium prices and social reproduction price rises. The social reproduction prices, if used as the benchmark prices within a comprehensively planned socialist system, imply that rates of return emerging from enterprises' internal accounting will differ. The link between those rates and the remuneration of the enterprise staff will therefore have to be differentially normed, to ensure equity in returns to effort across industries. This can only be accomplished in a planned system;... (Laibman, 1992, 77).

Second, market generated prices can't accurately price the replacement value of capital goods because market prices are unable to take a sufficiently long time horizon. This inability of market-generated prices to do this prevents effective budgeting for investment. But, planning can take such budgeting into account: "planning establishes a significantly longer horizon than is possible under a regime of atomistic competition, resulting in a different optimal price vector (Laibman, 1992, 78)."

¹³ Foster, Hahnel, O'Neill and Burkett also discuss the problems of dealing with environmental problem via market structures: (Foster, 2009, 61), (Hahnel, 1992, 88-96), (O'Neill, 2002) and (Burkett, 1999, 110).

Finally, short term fluctuations of market driven prices will generate high transaction costs compared to planned prices: “It is clear, however, that in a regime of continual spontaneous adjustment of prices, the cost of information is high, compared to one with given price lists. The randomness and particularity of prices creates a veil of noise and uncertainty, making efficient choice more difficult (Laibman, 1992, 78).” Simply put, the market generation of prices fluctuates too much to be effective transmitters of information.

Now that the problems generated by markets have been reviewed, there will be a consideration of two types of economic planning theories: Pat Devine’s and Paul Cockshott’s and Allin Cottrell’s.¹⁴ Devine’s theory would involve planning based on the successive coordination by different groups and bodies throughout society:

[I]nvestment decisions are made by what I have called negotiated coordination bodies, on which are represented the interest affected by the interdependent set of investment decisions under consideration. The social owners at this level include all the enterprises in the industry or sector; the localities in which they are based, and regional, national or international planning commissions, depending on the character of the activity involved, together with any other groups with a legitimate interest in the outcome. (Devine, 2002, 78).¹⁵

Prices of primary inputs will be decided “at the level of the economy as a whole (Devine, 2002, 79.)” Whereas individual firms will set prices according to the “long-run cost of production (Devine, 2002, 80).” Devine’s theory would allow for a market in the exchange of commodities but not the investment decisions of a society as a whole.¹⁶ The decisions made by negotiated

¹⁴ Other notable planning theories not discussed here are those of Michael Albert and Robin Hahnel (1992 and 2002) David Laibman (1992, 2002, and 2007) and Ernest Mandel (1986 and 1992).

¹⁵ Burczak would find these negotiated coordination bodies would be subject to the Hayek style knowledge problems due to the inability for all of the actors to reach an outcome which would be as wealth maximizing as the market. But, the question must be asked if the benefits of negotiated coordination outweigh the superior wealth performance of a market economy. Burczak himself in using Nussbaum’s and Sen’s capability theory does realize that the evaluative spaces of capability theory and wealth maximization are different (Burczak, 1998; 2006, 29-37, 54, 95). In short, there are different standards of optimal outcomes. If we accept that the wealth maximization is not the only, or even best, determination of optimal outcomes then the benefits of negotiated coordination (absence of market failures, integration of the goals of various actors, long-term organization of development and resource use, and the facilitation, discussed below, of an egalitarian ethos) may be more desirable to market outcomes.

¹⁶ Devine makes a distinction between market exchange and market forces: “Market exchange involve the sale/purchase of the output of existing productive capacity. The operation of market forces is the process through which changes in the structure of productive capacity brought about by investment and disinvestment are

coordination bodies would be based on the results of the sales of these different firms. The market will not use competition as a process to determine which ‘winning’ firm’s investment will be maintained. The anarchy of production within a market is mediated through the planning process; this includes wage setting, innovation, and sustainability (Devine, 2002, 79-82).

Allowing the market to set wages can be a race to the bottom when competition and unemployment exist. Innovation, when firms seek to out compete or to maintain monopolies, can entail many pointless additions to consumer items or the marketing of harmful and irrational items.¹⁷ Finally, it appears that capitalism may be unable to deal with the problem of free riding when it comes to environmental regulation.¹⁸ But, the shared cost of environmental preservation could be effectively dealt with by decisions made by negotiated coordination. The equitable distribution of gains and losses through democratic planning could prevent the rational choice to free ride, since people would have to discuss their preferences as opposed to them being concealed behind the veil of the market.

The planning theory of Cockshott and Cottrell has a similar planning structure of coordination through democratic procedures (Cockshott and Cottrell, 1993, chapters 4 and 13). The specific accomplishment of their model is the fast transmission of prices electronically and the calculation of prices (as labor values) by Gaussian elimination. Gaussian elimination done by computers would allow for the calculation of prices for the entire economy in a matter of minutes as opposed to thousands of years if this process were not used (Cockshott and Cottrell, 1993, 50). These prices could be sent out to firms “every 20 minutes” via an electronic transmission

coordinated in capitalism (and market socialism) [Devine, 2002, 76].” Laibman also uses a similar distinction (1992, 2002, 2007).

¹⁷ On innovation being driven not by genuine need satisfaction but by profitability within capitalism see Baran and Sweezy, 1966, chapters 4 and 5. Hahnel also has a discussion of the rational but harmful marketing of car consumption: Hahnel, 2002, 85-88.

¹⁸ Cockshott and Cottrell, 1993, 65; Burkett, 1999, chapter 9; Li, 2008, chapter 6; Foster, 2009.

network (Cockshott and Cottrell, 1993, 51). In turn, firms can inform the computation network of changes in prices (changes in the labor values of products) via the same network.

Of these two models the Cockshott and Cottrell one appears best situated to overcome the calculation problems forward by Hayek as why socialism will be sub-optimal. Burczak market socialist model is specifically constructed to deal with Hayek's challenges (Burczak, 2006). He thus opts for the market in order to avoid these problems. Cockshott's and Cottrell's computer calculations would provide approximated answers to an item's value that they find would be more accurate than an approximation derived by the market process (Cockshott and Cottrell, 1993, 50). Hayek's and Burczak's calculation problems could be solved via this planning process, providing accuracy in the valuation of products while also avoiding the antagonisms of the market which Cohen is concerned with.

These two models demonstrate that socialist economists do think that planning can effectively transmit information when there is the use of multi-level decision making bodies in coordination and current computing technologies are implemented. Both Devine and Cockshott and Cottrell find their theories to escape the problems that plagued Soviet planning (Devine, 2002, 72; Cockshott and Cottrell, 1993, 5 and 78-80; Cockshott and Cottrell, 2002). Since the problems planned economies suffered from in the past have been considered by these authors, and their theories are developed to correct these problems, this brings Cohen's definitive exclusion of planning for a basis to build communal reciprocity into question.

Also, these authors have stated that the planning/coordination process can be the basis for the development of socialist values. As Devine puts the matter.

A socialist society needs an economic system that promotes the self-activation and self-development of its citizens. The model of participatory democratic planning outlined ... is consistent with the objective. It is constructed around the concept of negotiated coordination. Unlike coordination through the coercion of either market forces or state direction, negotiated coordination requires people to engage consciously with their

interdependence, with the consequences of their actions for others. It encourages people to transcend their sectional or partial interests and take account of the situation of others. It also, I believe, incorporates a dynamic that goes with the grain of abolishing the social division of labor. Indeed, its successful operation probably depends on this. (Devine, 2002, 74).¹⁹

The activity of planning helps foster the community sentiment that Cohen thinks is important. This is in contrast to the market process that motivates people to be self-interested according to Cohen (2009, 61-75). The general feeling of societal-wide friendship that Cohen thinks is required for the community to obtain could be developed through the discussion that the planning process enables (Cohen, 2009, 52). The public debate which planning requires will bring people into contact with others discussing their needs and desires. Thus, people will have to consider how their preferences coincide with the preferences of others, and they will see how their preferences may preclude other people's preferences from being satisfied. The democratic planning process has the potential to overcome the problem Cohen identifies with market exchanges: people seeing others as a means for their satisfaction, as opposed to the joint satisfaction of both of their preferences as an end of their exchanges of service (Cohen, 2009, 42-43).²⁰

The consideration of incentives and innovation is a common point in market socialist literature.²¹ It is usually understood that the market process and the ability to profit from one's firm are the only suitable ways to foster incentives for people to improve the production process

¹⁹ See also: (Devine, 2002, 84); (Laibman, 1992, 81); (Albert and Hahnel, 2002, 9); O'Neill, 2002, 147); and Mandel, 1992, chapter 5). In contrast the market socialist theory of Burczak facilitates participation as the firm level, but not at the societal level. This is the case because Burczak accepts Hayek critique of central planning where tacit local knowledge cannot be transmitted, and all attempts at macro coordination will be sub-optimal. Thus, societal wide control over a society will only take place outside of the market (such as stakeholder grants to all young adults) in order to not disrupt the market process (Burczak, 2006, 134).

²⁰ Burczak's market socialist theory makes use of a labor theory of property and capability theory to argue that people should appropriate their products of labor since it promotes human flourishing. But, Burczak's laudable theory only addresses justice for individuals in the work process; it does not address how we should treat people who suffer from regrettable choice and option luck, other than the use of stakeholder grants and the outside the market redistribution via a welfare state (Burczak, 2006, 117 and 143).

²¹ See the following on incentive concern's voiced by market socialist about planned socialism: Schweickart 1996, 316; Nove, 1991, 55; Burczak, 2006, 35, 143.

and seek new inventions. It has been noted by Kotz that innovations do not always increase human welfare, rather innovations are selected for production due to their profit generating prospects (Kotz, 2002, 97). If this is the case leaving innovation only to the dictates of profitability will not prevent the creation of harmful products, particularly if market socialist firms can gain at the expense of others. Also, the creation of certain products can create negative externalities that firms can profit from. With the poor innovation record of the Soviet Union in mind Kotz finds that there are several devices that can be used to foster innovation: the use of industry boards to monitor firms, having multiple firms in a given industry to use as a basis for comparison, and the development of an innovation board to foster new techniques and products (Kotz, 2002, 103-104). Kotz also finds that a democratically planned socialism which involves community members and members of firms in planning decisions will create a dynamic where innovation will be asked for by community members. The Hayekian innovation problem may be sidestepped by widening the control over output from only the firms themselves to the community. The different interests of community members and firm members would help stimulate innovation and would help prevent firms from seeking profits from harmful products (Kotz, 2002, 102).

Moral/psychological incentives are argued for by Cohen and he thinks they are the only just way to organize benefits and burdens in a society (Cohen, 2008). Cohen answers Hayek's concerns (indirectly) about incentives within socialist firms by subordinating it to the moral vision people need to have for their society to overcome option luck and regrettable choice. But, other socialists find that the building of socialism and the construction of a socialist community spirit is a process, not an immediate affair, and engage in the incentive debate in a nuanced way.

They find that material incentives are thought to be required while people develop a socialist ethos. As Laibman understands the situation:

Paying due attention to the development of this problem [of incentives] in many 20th century socialist contexts, all experience suggests that, given initial ideological bias towards the moral/collective pole and away from the material/individual one, the inherent need for material/individual differentiation and stimulation, at historically given level of social consciousness, has made itself felt. (Laibman, 2002, 124-5).²²

Incentives are not an either/or problem between material and moral/psychological. Rather, material incentives can be used in conjunction with democratic planning to develop a socialist community spirit overtime. It will become apparent that the demand for more income by some members means less for others. People will only know that this is the case if there is a forum for the expression of benefits and detriments. A market process is an anonymous mechanism for how remuneration decisions are made. Having to state one's case for more or less income for oneself or others make remuneration decisions an overt process.²³

The endorsement of a democratically planned socialism depends on a critique of the market process. Market socialist authors focus on how the market can be an efficient mechanism for the transmission of information and the creation of incentives. While planning socialists discuss the inability of the market to transmit information accurately and foster incentives for desirable outcomes. Cohen's worry about there not being a suitable mechanism for the construction of a socialist community spirit thus merits a consideration by market socialist of the critique of markets provided by planning socialists. Further, there is a breakdown in communication between these two socialist groups. Planning socialist need to address in particular the Hayek

²² For another consideration of material incentives by planning socialists see Cockshott and Cottrell, 1993, 34.

²³ Interestingly, Cohen endorsement of the interpersonal test of remuneration (where people must explain why they need more income in order to produce a certain amount) could actually be achieved in the forums of democratic planning. Thus, Cohen missed how planning would facilitate his philosophic arguments for equality (Cohen, 2008, chapter 1).

knowledge problems and incentive concerns brought up by Bureczak, Schewickart, and Nove; and market socialist have to demonstrate that market failures are not as pervasive and significant as planners have argued. This is particularly the case if market failures can only reasonably be rectified by extensive government regulation (Hunt, 1992, 570-571).

Planning may have the potential features for the fostering of communal reciprocity. But we must remember that planning when not democratic can prevent the growth of communal reciprocity just as capitalism can. Kotz and Weir find the reason for the collapse of the Soviet system rests with the interest of the party-state elite in transferring to capitalism, mainly to obtain higher incomes and make their privileges inheritable (Kotz and Weir, 1997, 5 and part II).²⁴ The self-interest of the part-state elite was fostered by the authoritarian nature of the Soviet system.

Laibman has also reached a complementary conclusion:

So the socialist economy was not the source of the collapse; to the contrary, both central and decentral planning and plan execution were alive and well. Their potentials however could not be adequately realized without a through reckoning with the legacy of the Stalin-era authoritarian deformation. In these conditions, socialist reform was a razor edge, an unstable path between twin abysses: resurgent bureaucratic control on one side, and a slide into anarchy and destruction of socialism as such, on the other. The source of the demise was indeed structural, but it was not the political *economy* of socialist planning, but the political *culture* that arose in the difficult circumstances of Soviet social construction that lay at its heart. (Laibman, 2007, 184-185).

Conclusion: On Transitions and Building

The socialist community spirit Cohen finds to be necessary to enable the inequalities of socialist equality of opportunity to be ameliorated can be prevented from taking root either by the self-interested motivation of either the market or of an authoritarian bureaucracy. But, placing one's hope on the growth of socialist values by using the mechanism that consistently fosters values

²⁴ Mandel also provides a detailed Marxist analysis of the Soviet bureaucracy along complementary lines; see Mandel, 1992.

that are contrary to socialism is unnecessary since the planning process allows for the effective transfer of information and is not a contradictory basis for the development of socialist values. The feasibility of socialism is impossible to accurately gauge, but we do have the advantage of theories that provide a clearer conception of what may work than Cohen thought.

The ground which socialism will be built is the inadequacy of capitalism to meet the needs of human development. The fostering of socialist values will arise out of the struggle for socialism that a revolutionary class must develop to transition to another mode of production. Only by developing the self-consciousness of a revolutionary class can socialist values develop. Cohen forgot that the origin of socialism lies within capitalism.²⁵ To quote Marx and Engels on the matter:

When people speak of ideas that revolutionize society, they do but express the fact, that within the old society, the elements of a new one have been created, and that the dissolution of the old ideas keeps pace with the dissolution of the old conditions of existence. (Marx and Engels, 1968, 51).²⁶

Cohen's discussion of why socialism is appealing is structured by a thought experiment of how undesirable it would be to take a camping trip where we conduct self-interested market exchanges the whole time. But, if capitalism is a camping trip where we do conduct self-interested market exchanges the whole time, and we know that we don't have to, how long will it take us to try something else with the correct accompanying sentiment? In other words, isn't the reason we will try something else is because we are dissatisfied with what we have?

²⁵ In an earlier article by Cohen on how proletarians do not have the option, as a class, to become independent producers, one could infer that the structures of capitalism, the forced nature of proletarian class position, would lead to the formation of revolutionary class-consciousness (Cohen, 1983). Cohen does not draw this conclusion in the article being considered in this paper.

²⁶ Mandel has an interesting analysis on the formation of revolutionary consciousness; See Mandel, 1994, 77-127. He is particularly interested in how the relationship between a revolutionary party and vanguard members of the working class develops due to fluctuations in the business cycle and other crises.

This may seem to be the answer to Cohen's dilemma of how to make people use the market to foster communal reciprocity. But, societies need supportive mechanisms that complement their value structure. A revolutionary situation provides the basis for transition but the desire for something different is because we have needs to be fulfilled other than the need for a transition. The building of socialism and the transition to it are interrelated phenomena. But, this doesn't mean they are inseparable phenomena. Anti-capitalist sentiment is produced by the conditions of capitalism. But, will capitalism produce socialist sentiment? I would say not enough socialist sentiment to build a mature socialist society where the results of regrettable choice and option luck are a thing of the past. Simply put, the undesirable results of capitalism produce the sentiment to transition to socialism but only democratic planning will foster the sentiment to build a mature socialist society.

Works Cited

- Albert, Michael and Robin Hahnel. 1992. "Participatory Planning." *Science and Society*, Vol. 56, No. 1. New York and London: Gilford Press.
- Albert, Michael and Robin Hahnel. 2002. "In Defense of Participatory Economics." *Science and Society*, Vol. 66, No. 1. New York and London: Gilford Press.
- Aristotle. 1984. *Aristotle's Nicomachean Ethics*. Translated by Hippocrates G. Apostle. Grinnell, Iowa: The Peripatetic Press.
- Baran, Paul A. and Paul M. Sweezy. 1966. *Monopoly Capital: An Essay of the American Economic and social Order*. New York and London: Monthly Review.
- Burczak, Theodore A. 1998. "Appropriation, Responsibility, and Agreement." *Rethinking Marxism*. Vol. 10, No. 2.
- Burczak, Theodore A. 2004. "Focusing on Appropriative Class Justice: A Comment on DeMartino's 'Realizing Class Justice.'" *Rethinking Marxism*. Vol. 16, No. 2.
- Burczak, Theodore A. 2006. *Socialism after Hayek*. Ann Arbor: The University of Michigan Press.
- Burkett, Paul. 1999. *Marx and Nature: A Red and Green Perspective*. New York: St. Martin's Press.
- Carens, Joseph. 1981. *Equality, Moral Incentives, and the Market: An Essay in Utopian Political-Economic Theory*. Chicago: University of Chicago Press.
- Cockshott, Paul and Allin Cottrell. 1993. *Towards a New Socialism*. Nottingham, England: Spokesman Books.
- Cohen, G.A. 1983. "The Structure of Proletarian Unfreedom." *Philosophy and Public Affairs*. Vol. 12, Winter. Reprinted in *Analytical Marxism*. Edited by John Roemer. 1986. Cambridge and Paris: Cambridge University Press and Editions de la Maison des Sciences de l'Homme.
- Cohen, G.A. 1995. *Self-Ownership, Freedom, and Equality*. Cambridge: Cambridge University

Press

- Cohen, G.A. 2008. *Rescuing Justice and Equality*. Cambridge, Massachusetts and London, England: Harvard University Press.
- Cohen, G.A. 2009. *Why Not Socialism?* Princeton, New Jersey: Princeton University Press.
- DeMartino, George. 2003. "Realizing Class Justice." *Rethinking Marxism*. Vol. 15, No 1.
- DeMartino, George. 2004. "On the Politics of *Global Economy, Global Justice*." *Rethinking Marxism*. Vol. 16, No. 4.
- Divine, Pat. 2002. "Participatory Planning Through Negotiated Coordination." *Science and Society*, Vol. 66, No. 1. New York and London: Gilford Press.
- Foster, John Bellamy. 2009. *The Ecological Revolution: Making Peace with the Planet*. New York: Monthly Review Press.
- Hahnel, Robin. 2002. *The ABC's of Political Economy: A Modern Approach*. London and Sterling, Virginia: Pluto Press.
- Hunt, E.K. and Ralph C. D'Arge. 1973. "On Lemmings and Other Acquisitive Animals.: Propositions on Consumption." *Journal of Economic Issues*, Vol. 7, No. 2. Association of Evolutionary Economics.
- Hunt, E.K. 1992. *History of Economic Thought: A Critical Perspective*. Second Edition. United States: Harper Collins.
- Kotz, David. 2002. "Socialism and Innovation." *Science and Society*, Vol. 66, No. 1. New York and London: Gilford Press.
- Kotz, David and Fred Weir. 1997. *Revolution from Above: The Demise of the Soviet System*. London and New York: Routledge.
- Laibman, David, 1992. "Market and Plan: Socialist Structures in History and Theory." *Science and Society*, Vol. 56, No. 1. New York and London: Gilford Press.
- Laibman, David. 2002. "Democratic Coordination: Towards a Working Socialism for the New Century." *Science and Society*, Vol. 66, No. 1. New York and London: Gilford Press.
- Laibman, David. 2007. *Deep History: A Study in Social Evolution and Human Potential*. Albany, New York: State University of New York Press.
- Li, Minqi. 2008. *The Rise of China and the Demise of the Capitalist World Economy*. New York: Monthly Review Press.

- Mandel, Ernest. 1986. "Defense of Socialist Planning." *New Left Review*.
- Mandel, Ernest. 1992. *Power and Money: A Marxist Theory of Bureaucracy*. London and New York: Verso.
- Mandel, Ernest. 1994. *Revolutionary Marxism and Social Reality in the 20th Century*. New Jersey: Humanities Press.
- Nove, Alec. 1991. *The Economics of Feasible Socialism Revisited*. Second Edition. London: Harper Collins.
- Marx, Karl and Frederick Engels. 1968. *Selected Works*. Moscow: Progress Publishers.
- O'Neill, John. 2002. "Socialist Calculation and Environmental Valuation: Money, Markets Ecology." *Science and Society*, Vol. 66, No. 1. New York and London: Guilford Press.
- Roemer, John. 1994. *A Future for Socialism*. Cambridge, Massachusetts: Harvard University Press.
- Sen, Amartya. 1999. *Development as Freedom*. New York: Anchor Books.
- Schweickart, David. 1996. *Against Capitalism*. Boulder, Colorado: Westview Press.