

# SOCIALISM AND ECONOMICS

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Theoretical debates currently taking place in important circles on the left take as their starting point a key idea: we are in a new society which is distinguished above all by profound and constantly occurring mutations – technological and cultural, economic and social, political and theoretical – which all influence each other. For this reason socialism must reorient its long-term strategies to fit within the context of this new society.

Efforts made in recent years to clarify the positions of democratic socialism may have been more or less fruitful, but probably the lesson to be learnt is that initiatives in debate and analysis must continue. We have scarcely done more than make a start, and we must intensify our efforts; for the collapse of the communist regimes issues unprecedented challenges to socialism, which could before very long become the unifying factor and reference point for the whole of the left. For several decades the countries of Eastern Europe, especially the USSR, were a fundamental point of reference for many sectors of the left worldwide. That situation has now come to an end.

The course of history has given proof – in my view irrefutable – that the overt opposition between democratic socialism and communism, as regards their approaches to philosophy and political action, has finally been settled in favour of the tenets of democratic socialism. Rather than filling us with complacency as socialists, however, this should imbue us with a sense of responsibility. For, apart from the various practical examples of the welfare state model, what can we socialists offer

the left in the world today? Can we consider the victories of the welfare state enough, and regard that model as the basic centre of reference that progressive forces on a world scale require?

Nothing could be further from my thoughts than to suggest that the welfare state is a thing of the past. On the contrary, much remains to be done to develop it in a host of countries in the South of the planet. But neither do I believe that this model exhausts the possibilities and the possible projects of democratic socialism.

On the other hand, the dynamic of events is presenting serious difficulties of translating into practice the fascinating gamble taken by leaders of Central and Eastern Europe, that of effecting an orderly transition from a state-centred economy to a mixed economy, accepting the market and taking the development of the welfare state as a fundamental aim. Even in the developed countries it is becoming necessary, in more than a few cases, to defend the welfare state against neoliberal attempts to dismantle it, and in other cases, it has yet to be consolidated.

Certainly the welfare state is one of the greatest successes in the transformation of capitalism, and we must take its values and its achievements as a starting point from which to address the challenges of the future. However, this historical objective is not yet in itself a sufficient proposal for a programme. Democratic socialism must further enrich its project if it is to offer solutions to all the new problems that exist today, all the big questions that await an answer in our time. To be

specific, should there not be a response from democratic socialism to the growing marginalisation of entire regions of the world and to the acute monetary, financial and trade problems, the problems of debt and underdevelopment and the threats to the environment which are aggravating the unbalanced development of the planet? Should we not also have an answer for the questions being raised today about the exigencies of a new international order?

On the other hand, with the hope of freeing the human race from all alienation severely dashed (in the opinion of some people) by the failure of the communist experiment, can we as socialists really believe the welfare state can suffice to solve all the present problems of people's emancipation or to overcome the domination of some people by others?

For socialism to be able to rise to its responsibilities, it will have not only to consolidate its past achievements but also to formulate new historical objectives in relation to the transformation of capitalism. This is the direction in which the debate must be intensified, and not only among socialists, but in discussion with all those people – especially intellectuals and politicians – who come from other camps on the left and who, from progressive standpoints, wish to join forces with this way of conceptualising and formulating the programme of the new left.

Neoliberal thinking has been quick to sound a fanfare, announcing, together with the collapse of communism, the triumph of capitalism and the final rout of socialism. To my mind this is a great error, or, if you like, a political sophism, for although it is true that from a historical perspective we have witnessed the crisis of communism, it is no less true that the neoliberal experiment of the 1970s and 1980s has produced scarcely one positive achievement that could allow us confidently to predict its continuation into the 1990s. Such is its *political and intellectual* poverty that it wants to hide by heralding the death of socialism and the triumph of capitalism, using Eastern Europe as a pretext.

There are those who would like to persuade us that to talk today of the economy, to talk of socialism in the economic field, is to discuss something about which there is no longer any room for debate; according to them, everything has already been said and scientifically proven. And here, surreptitiously introduced, is the first ideological proposal the conservatives want to put forward, trying to remove crucial economic matters from the political and theoretical debate. The truth is that neoconservative economic recipes, under the pretence of being scientific, contain much ideological contraband. We do not share those old theories of the end of socialism, the end of ideology – even the end of history! Much history is yet to be made, by the men and women of the present and the future, if we are to bring to an end

the history that serves the interests of conservative thought. That is why we must continue the debate about socialism and economics, about ideology and economic policy.

The defeat of fascism on the battlefield in the Second World War and, later, the crisis of communism and the end of the Cold War do not and will not mean the end of ideologies, nor do they lead to the end of historical time. It is true, however, that ideological choices have become simpler. Today's antagonists are neoconservatism or neoliberalism and democratic socialism. The immediate future will be defined in relation to these two options.

Hence the task for socialists, for men and women on the left, is to contribute to unveiling and criticising the outworn, ineffectual and unjust aspects of conservative options; but to be prepared, too, to introduce some more modern, more up-to-date components to socialism, being capable of taking the same attitude towards socialist principles: a critical attitude that can separate the dead wood from that which is still vigorous. We must think in terms of a socialism that is more open to the new facts of life and the new social and political sectors which, with diverse provenances, are seriously committed to a project for progress with solidarity, a project for social justice, a project for international peace.

Democratic socialism today has to take up the baton for progress in the name of all of the left, and this indeed presents us with a new and great challenge: to present, internationally, a new programme which can restore to the whole left and to all progressive forces the enthusiasm to advance towards a new and achievable utopia – an achievable utopia that goes beyond the creation of a welfare state. It is in this general direction, in the quest for this new, achievable utopia, that the debate on the socialism of the future should proceed.

In this overview of an approach to the debate on socialism and economics, I would like to point out that many of socialism's most important historical battles, on the terrain both of ideas and of action, have been related to the economy. At the risk of erring on the side of reductionism, socialism can be defined basically as a political movement arising within the capitalist economic system and in opposition to the values of that system. It is normal, therefore, that the practical action and theoretical struggle of socialism and the left in general should have been closely related to the economic field and the problems and transformations of the capitalist economic system. So it is right and timely that one of the central topics of debate in *Socialism of the Future* focuses on the relations between socialism and economics.

It is not merely that socialism and the political sphere in general have much to do with economics. The relation

is reciprocal. Economics also has a very close relation to politics. Since economics was systematised and acquired a body of doctrine about two hundred years ago, it has gone hand in hand with politics, although it might be opportune to ask which has had supremacy, politics or economics. More precisely, the development of economic ideas has not been solely a product of the development of economic reality itself. At the same time the economy has been the exception as a scenario for the debate on political ideas. A pernicious feature of that political debate is that ideas have often not been clearly expounded but have been camouflaged behind the language of economic concepts, sometimes excessively and unnecessarily technical, or behind rationalising arguments or justifications appealing to the natural order of things and society.

Thus, over the last two hundred years, economics has on some occasions been exalted to supremacy for its aseptic qualities, its neutrality, its apoliticism. Not a few socialist thinkers have been somewhat uncomfortable in the face of this fixation on economics, and somewhat suspicious, given that economic prescriptions have more than once proved to be no more than ideology-laden techniques devoid of explanation.

For many years, almost until the second decade of this century, economics was called 'political economy'. The name was highly justified. Economics is unique in that it analyses reality but does so from the basis of certain philosophical and moral presuppositions. This is inevitable, because economics grew up within the market in order to explain the growth and distribution of wealth in an already existing economic order, the system of capitalist production regulated by the market. But in the market everything is regarded as a commodity. And that is why it was impossible from its very beginning that economics could be exclusively a science; for there are at least four crucial elements of the economy which are not only commodities but also have other dimensions: human labour, land, money and the policies of the state. People, land, money and state are economic phenomena, but they are something more besides.

*Human labour* can be regarded as a commodity in a market, but it is also the sole source of income for most people. And it is also creativity and socialisation. A human being works in principle to earn an income, but must that income be related to what the person produces or to what the person is worth, his or her personal dignity? That debate was already old when Marxism began. People also work in order to develop their creative potential and to fulfil themselves in society, since human labour is not a one-dimensional thing, not purely a commodity, but something multidimensional, something that demands consideration also of the philosophical, political and value judgements which have been

formulated around labour throughout the history of economic ideas.

For its part, the concept of *land* is robbed of essential aspects if it is reduced simply to its dimension as a commodity. The land is also the place which provides space for dwelling and for the development of a wide range of activities in society. And it is the underlying support of human life, a natural support with a complex and difficult equilibrium, which has other dimensions: the urban dimension and – very important nowadays – the ecological dimension. Thus the question of the land goes far beyond the logic of its simple sale and purchase at the best price.

*Money* has a dual personality. It is a commodity, since gold, currency reserves and national currencies are bought and sold. But it is also a symbol in which is lodged a value for the sale or purchase of other goods and services. The history of the economy is crisscrossed with discussions about what symbol to adopt. Our century, in particular, has seen recurrent polemics over the adoption of the gold standard, and at the international level there is still no agreement on the use of a single symbol. At the same time, the symbolic value of money can be manipulated through political decisions; and this manipulation (depreciations, devaluations, appreciations, revaluations) can have important consequences, favourable for some nations and unfavourable for others, in international trade. In essence it is because of these political problems that we have arrived at the threshold of the twenty-first century without having yet reached agreement on an international monetary system, after having adopted a multiplicity of provisional solutions throughout the twentieth century.

Finally, the economic activities of the *state* also have a dual nature. Activities involving services provided by the state, for instance, have an implicit productivity and efficiency in regard to the resources taken from society to pay for them. But they cannot be reduced to these terms, for at the same time they are not only a commodity but also a mechanism of political and social justice. It is an obvious fact of modern history that the state is an economic agent and that its activities have always had an economic dimension, from the role played by the state in the mercantile period, through the creation of central banks, to the growing weight the state now has in areas such as economic negotiation at the supranational level. But the dual nature of its activities, which are economic but also political, has made the state and its role a specially controversial issue in the development of economic thought.

To illustrate all this, it should suffice to remember that, owing to the nature of various basic factors within the market itself, theorising carried out about the market from an economic point of view has been heavily weighted with philosophical and political arguments for or against

the consideration that should be given to labour, land, money and the behaviour of the state.

The predominant approaches of modern socialism in the economic field generally coincide in vindicating a role for the public sector – the state – in the context of a market economy, with certain necessary modulations. What many of us are at present defending as socialists is a theoretical model of the market which we can call a *regulated social market*, which can be located within the parameters of the type of mixed economy being developed in some European countries.

The market can satisfy human needs, as doctrinaire neoliberalism maintains, but the famous invisible hand of the market does not lead to the achievement of a precise balance of general needs and interests. This is something which some of today's neoliberals – or rather neoconservatives – who argue from a kind of 'doctrinairism' that has superseded the totalitarianism of the Bolshevik era, do not know, or which they conceal. There are even those who talk of neoliberalism as a new doctrine for our post-Bolshevik period. Like the Bolsheviks before them, the neoliberals are utterly convinced that there is one single mechanism that will solve all humanity's practical problems. So they take no account of the need to correct the market's imperfections.

But there is another problem which has been ignored by those who defend the free market – at times a kind of market which has very little that is free about it, as I shall try to show. Champions of the market have always ignored the problem of the power derived from the market: that is, the capacity of some economic agents to dominate others, either in production centres (entrepreneurs and their management teams versus workers), the marketplace (some entrepreneurs versus others, or producers of goods and services versus consumers), or in the political sphere itself (sometimes through alliances of some governments with lobbies from one or another economic sector).

In practice, the market has created asymmetrical power relations, problems of domination and reactions against the status quo. Thus, as a logical consequence of the existence of the market, formations of power have arisen which have forcibly distorted the mechanisms of the market itself. It is worthwhile pointing out some important aspects of this phenomenon. The first, related to international trade, is the tension between protectionism and free trade, which dates back to the time of Adam Smith and is relevant to the present day, with the collapse of the final meeting of the Uruguay Round of GATT still fresh. To describe a very real phenomenon very briefly, a review of the history of world trade leads inevitably to the conclusion that national political units, apart from the dictates of the market, have backed either free trade or protectionism according to the development and interests of the groups that wield the greatest

economic influence on the national stage. More specifically, over the last two centuries of the market economy, we have seen the fiction of the free market as a normative value to be concurred with in theory, in contrast to the various forms of protectionism existing in practice: from the protection of nascent industries to the protection of strategic sectors, from tariff barriers to today's non-tariff barriers. It could be said, moreover, that if anything clearly reveals the political dimension of power relations between supply and demand, it is international trade. The unequal terms of exchange between the powerful developed countries and the underdeveloped countries, which have been one of the causes of the widening gap between the North and the South, are an eloquent example of what I mean.

In our time, protectionism has not only failed to disappear but has intensified, for various reasons. The multipolarity of 'motors' in the world economy (the USA no longer has economic hegemony but now disputes it with Japan and the European Community), the formation of supranational economic regions which concentrate on creating their own internal economic homogeneity *and the actual structuring of the technological base of economies*, in the absence of the consolidation of a new hierarchy of countries in the world economic order, are some other elements in a picture from which protectionism is not likely to disappear. This situation, together with the growing gap between North and South, makes it clear that there is an urgent need for a global authority capable of replacing the present dynamic of power-based international trade relations by greater respect for the free play of supply and demand, complemented by a form of regulation which will enable new comparative advantages to emerge in the underdeveloped regions of the planet. The present situation, based on the relative power of each nation, must give way, by means of an international authority, to an established mode of functioning of the international market complemented by a rational planning process that will promote the shared development of the entire planet.

Another aspect of the formation of spontaneous powers within the market which counteract the functioning of the market itself is the tendency towards concentration, the tendency towards monopoly. Here, too, the most orthodox defenders of the market have repeatedly drawn attention to the phenomenon for more than a century. However, in reality the tendency towards concentration of economic power has pursued its course relentlessly, and in most industrialised countries regulations against monopolies and trusts and in defence of competition have had little effect.

On the other hand, the evidence of experience is that, with the tendency towards concentration, markets have not ended up in monopoly situations but have tended to take shape as oligopolistic structures in which a number

of dominant firms compete among themselves and occasionally with a constellation of small firms. Thus the tendency towards concentration has not made competition disappear, although it has made it imperfect. But this partial deterioration in competition has also, in a way, had its positive side, for the concentration of resources in the hands of the leaders of the market has led to economies of scale and to greater technological progress and greater efficacy in the organisation of management.

The problem of the oligopolies, therefore, must not be defined as an economic problem but as a political one. It resides not so much in the fact that they work against the market as in the fact that the concentration of economic power can generate the ability to influence political power through structures, like the company, which are subject to the law on competition but not to the rule of the democratic vote. Examples of this abound in the history of the market economy. At the beginning of the twentieth century, when many countries were not yet consolidated as democratic states, the first oligopolistic formations had a decisive influence on public policies and legislation, making the political sphere an ally in the expansion of their economic sway.

This was the period in which the big economic concentrations, supported by the great states, attempted to divide the world, its sources of raw materials and its market up among themselves. It was this capacity to wield political influence on the part of non-democratic bodies that created the problem of power generated by the concentration of economic activity in oligopolistic formations.

This question now acquires new characteristics, owing particularly to two important factors. First, the internationalisation of economic activities has generated an exceptional economic agent, the transnational or multinational company, whose decision-making power on occasion exceeds that of many states. Today, the world economy is closely bound up with negotiation between two types of interlocutor: the democratic states, which operate in accordance with territorially circumscribed economic interests, and the transnationals, which are not regulated by democratic but by economic mechanisms and which operate above and beyond national barriers. Undoubtedly, this creates a need to set up democratic mechanisms for regulation and control at the international level which can enforce a more democratic practice on transnational or multinational companies. This, some people think, raises some important questions. What stance should progressive people adopt towards multinationals? Is there a way of working with multinationals that allows for maximum national welfare from a progressive point of view, or are the interests of these huge companies inherently opposed to progressive objectives?

Again, having said that one of the elements to be considered in the present trend towards concentration is

the internationalisation of economic activity, I must add that one of the most important of those elements now is not just that which refers to the production of material goods and services, but also the concentration of cultural production, which has very important effects on contemporary societies. Whereas in the past the basic vehicle for the transmission of ideology was the school or the family, now that role is played by the big business and financial complexes devoted to communication, especially communication via the image. Thus the struggle to restore competition, to ensure pluralism in communication, is a fundamental challenge in our societies.

The real asymmetry of political power which economic concentration entails has led during our century to the development of trade unionism. This, emerging from factories and workplaces, has also given a structure to workers' representation in national and international arenas. In this way, the market itself has generated a form of corporatisation of the basic economic agents. This is a phenomenon which has grown to maturity relatively recently and has brought with it important consequences for the economy, such as a strong tendency to modify the market and its potential for setting prices optimally. In my opinion, one of the chief causes of the economic crisis of the 1970s and 1980s, from which the world has not yet completely emerged, was precisely this corporatisation of economic life. Its manifestation par excellence is the appearance of a new type of inflation, one occasioned by a rising spiral of wages and prices. Whereas in the past inflation was caused by full employment, or by an excessive supply of money, today it is caused by both the workers' negotiating power and the power of organised entrepreneurial structures to compensate and repay increases in wages stimulated by trade union organisations through prices, instead of taking the cost on their own shoulders.

The economic crisis also revealed that the technological base of the economy was exhausted. Insufficient productivity was being generated to satisfy the demands for remuneration of the different productive sectors. Thus, the definitive ending of the crisis would have to be the result of a major leap in productivity and a new technological base which would make that possible. And this is in effect what is happening. Nonetheless, until this new technological base is clearly consolidated, we shall continue to see recurrent outbreaks of inflation sparked off by the wage-price spiral, which artificially distorts the automatic setting of optimal prices by the market.

Today we are faced with one of history's great ironies. Not even the law of supply and demand, that nucleus of the market economy, works perfectly, because of forces which the market itself has unleashed. In the face of this situation, it is the state, not the market, which must in

my opinion take on the responsibility for ensuring price stability.

Thus the fight against inflation, if it is to be effective, must overcome certain basic beliefs about the market which have grown up in our societies. Specifically, the parameters of that fight must be set in such a way that neither wage increases nor profit margins exceed increases in productivity. Yet is it not true that existing beliefs about the principle of market freedom see measures that put the accent on limiting wage increases as easier and more feasible than those that limit profits? After all, has there not been historically an ironclad law on wage increases whose echoes we still hear today? Well, perhaps the moment has come to think about the possibility of writing an ironclad law on profits, also in the interests of defending the operation of the market. In other words, the idea of finding mechanisms to set limits on rises in prices and profit margins may be difficult to put into practice, but it is by no means a preposterous idea. In fact there are some precedents for it. Isn't it true that for decades the market economies have systematically used price fixing as a guarantee for farmers?

No one can now produce rational arguments in defence of the rules of the pure market. Citizens, through their democratic channels, have given the state instruments of public intervention to eliminate the imperfections of the market. And we cannot renounce these possibilities of intervention from the left or from a progressive position. Many developed countries, basing their practice on the view that the market, the law of supply and demand, is an indispensable mechanism for the optimum allocation of prices and resources, have been undergoing major transformations in the workings of the market.

Thus, taking into account the transformations that have already occurred and the prospects apparently opening up for the future, we can conclude that at the present moment, in most developed countries, we find not a market economy, but at the least a social market economy, whose general principles should moreover be considered the only rational way forward for international economic institutions.

Altogether, then, some important conclusions can be drawn from the current debate about socialism and economic issues. First of all, we should not confuse the crisis of communism with the crisis of the entire model of the socialist-oriented economy. We can and should preserve the idea of a socialist approach to the economy, characterised by the importance it assigns to its public component and the role of the state. But socialism is unthinkable, impossible, without freedom and without democracy.

Second, it is vital to avoid de-ideologisation and de-politicisation of the economic debate, by stressing the primacy of the political and of political decision-making. The real problems are not only those signalled by the fall

of the Berlin Wall, but also those of the crisis of neoliberalism. While this moment in history is turning the spotlight on the economic crisis of communism, the failure of neoconservative recipes is no less evident, and nobody can deny that their most notorious consequences include the huge and dangerous surge in public deficits in some of the most economically powerful countries, the failure to control inflation, the inability to solve problems of unemployment, social polarisation, poverty in important social sectors and international economic imbalances.

Third, it is important to be very clear about the differences between the market, understood as a mechanism for the distribution of resources, and models of public or private property, the systems of more or less participatory management and the regulating role of the state. In synthesis, we must think in terms of a new concept of market socialism which combines the efficacious instrumental function of the market with the balancing, redistributive and compensatory role of the state. This will without doubt have to be one of the major components of the social-democratic compromise that is necessary between the social state and the market.

Fourth, socialism should operate on the market with a multidimensional approach. For us, any design for an economic policy must consider three dimensions: the strictly economic, geared towards achieving greater productivity and efficiency; the social dimension, geared toward achieving the greatest possible degree of equity; and the ecological dimension, geared toward preserving the necessary environmental balance. It is vital, therefore, to adjust and integrate these three dimensions: the economic, the social and the ecological.

The extremely complex economies of modern societies require a broad vision and multidimensional concepts in order to resolve adequately the economic problems they present: industrial democracy and economic democracy, consensus as a short- and medium-term objective, methods for working towards economic and industrial democracy, social consensus, political consensus and so on.

Fifth, one of the crucial questions we must consider concerns the international dimension that should inform the planning and design of socialist policies. If anything is clear when we contrast today's ideas of progress and wellbeing with actual events, it is the failure to arrive at an international order based on minimum demands for equality and equity. Thus one of the priority objectives, not only for socialists but for anyone with a notion of social justice, is the need to move towards a new international economic order.

Events like the Gulf war also raise important questions to do with problems of energy sources, raw materials, inequalities between countries, the nonexis-

tence in practice of international free markets and the lack of equal opportunities at the international level.

In this respect, the technological dimension of opportunities for growth and new problems of technological dependency gain new importance, to the extent that productivity and hence economic growth depend increasingly upon the application of science and technology to the productive process, as well as the quality of information and management in the overall picture of economic activity. According to some analysts, taking into account both the proportion of GNP generated by such activities and the proportion of the economically active population employed in them, we are facing a transition from advanced capitalist societies involved in activities of material production to another kind of society based on information-processing activities.

But the distinguishing mark of today's economy is not only the reality of the new technology, but the reality of the global economy. We have perhaps not yet unequivocally arrived at the stage of a global economy, but the tendency is certainly towards a globalisation of the economy in which capital, production, management, markets, labour, information and technology are organised in flows which clearly transcend national boundaries. And in this context the differences between the developed and less developed countries, the growing differences between North and South, are now even causing the concept of the Third World to be superseded as a Fourth World emerges.

Today it can be argued that the Third World is not an economically homogeneous area, for there exist countries, zones, or entire regions which are not so much dependent as irrelevant from the point of view of the structure of the international economy. In less scholarly, but perhaps peculiarly precise terms, these are unimportant countries, uninteresting countries, countries

that are left outside the international economic structure.

Naturally, this implies a new situation, one which may entail very negative prospects for the whole world, even the most developed countries, in so far as this situation is likely to generate a multiplicity of collective reactions with a high potential for conflict. This could happen if the criminal economy becomes established and consolidated in some parts of the world: the drugs trade, smuggling, illegal arms trading, the traffic in human beings. These contexts could produce not only explosions of Fourth-World-style violence, but could also encourage new forms of ideological or religious fundamentalism that could generate wars of a kind unimaginable until very recently.

So the panorama for the coming years is not one to inspire complacency. As we have said many times, it should give cause for thought to intellectuals and all those who are concerned about the future, or the socialism of the future, or the future of socialism. We must be capable of thinking in terms of a new humanism, of acknowledging a worldwide people sailing in the Good Ship Earth. We must do away with cynical assertions or opinions as to whether poverty, backwardness, illiteracy in the Third or Fourth worlds should or should not be taken into consideration on the march towards a more hopeful future.

These are, in my opinion, some of the ideas around which we should be able to generate a rich debate, with freedom, with a broad vision, without reserve, in the knowledge that we must begin creating a new situation that can carry forward progressive alternatives for the whole world; a situation in which the principles of equity, social equality and peace preside over the theoretical reflection and political action of women and men on the left.