ECONSTOR
Make Your Publications Visible.

A Service of
ZBW
Leibniz-Informationszentrum Wirtschaft
Leibniz Information Centre for Economics

Auerbach, Paul Robert; Skott, Peter

Working Paper

Visions of the future - a socialist departure from gloom?

Working Paper, No. 2021-15

Provided in Cooperation with:
Department of Economics, University of Massachusetts

Suggested Citation: Auerbach, Paul Robert; Skott, Peter (2021) : Visions of the future - a socialist departure from gloom?, Working Paper, No. 2021-15, University of Massachusetts, Department of Economics, Amherst, MA,
https://doi.org/10.7275/24445816

This Version is available at:
https://hdl.handle.net/10419/247433

Standard-Nutzungsbedingungen:

Die Dokumente auf EconStor dürfen zu eigenen wissenschaftlichen Zwecken und zum Privatgebrauch gespeichert und kopiert werden.

Sie dürfen die Dokumente nicht für öffentliche oder kommerzielle Zwecke vervielfältigen, öffentlich ausstellen, öffentlich zugänglich machen, vertreiben oder anderweitig nutzen.

Sofern die Verfasser die Dokumente unter Open-Content-Lizenzen (insbesondere CC-Lizenzen) zur Verfügung gestellt haben sollten, gelten abweichend von diesen Nutzungsbedingungen die in der dort genannten Lizenz gewährten Nutzungsrechte.

Terms of use:

Documents in EconStor may be saved and copied for your personal and scholarly purposes.

You are not to copy documents for public or commercial purposes, to exhibit the documents publicly, to make them publicly available on the internet, or to distribute or otherwise use the documents in public.

If the documents have been made available under an Open Content Licence (especially Creative Commons Licences), you may exercise further usage rights as specified in the indicated licence.

WWW.ECONSTOR.EU

Mitglied der Leibniz-Gemeinschaft

University of Massachusetts Amherst
ScholarWorks@UMass Amherst

Economics Department Working Paper Series | Economics

2021

Visions of the future – a socialist departure from gloom?

Paul Auerbach

Peter Skott

Follow this and additional works at: https://scholarworks.umass.edu/econ_workingpaper

Visions of the future – a socialist departure from gloom?[1]

Paul Auerbach[2] and Peter Skott[3]

Revised version, 20 August 2021

Abstract

A vision of universalised human freedom, equality, security and democracy emerged in the wake of the Scientific Revolution and the Enlightenment, the British Industrial Revolution and the French Revolution. This vision, not even approximately practicable at the time, is now well within reach. A viable socialist strategy will not be oriented around an encompassing central plan, but rather an agenda of human-centred goals – the creation of preconditions for all individuals to fully realise their personal capacities and to function as free citizens, exercising control individually and collectively, at the workplace and in society. Central to the realisation of such a programme will be a focus on the crucial role played by the first years of life in shaping human development and in the formation of class hierarchies.

JEL codes: B51, H40, P16

1. Introduction

A vision of a universalised human freedom, equality, material security and democracy emerged in the wake of the Scientific Revolution and the Enlightenment, the British Industrial Revolution and the French Revolution. This vision was not even approximately realisable at the time. The tasks before the overwhelming bulk of humankind continued to involve material deprivation and a helplessness when faced with disease and natural disaster, as well as back-breaking work in agriculture, mining and the incipient manufacturing sector.

Glaring global disparities in material standards of living persist, and we face existential threats of annihilation from the continued world-wide presence of weapons of mass destruction as

[1] We thank Adam Aboobaker and two anonymous referees for helpful comments and suggestions.

[2] Kingston University; socialistoptimism.com

[3] University of Massachusetts Amherst and Aalborg University; pskott@econs.umass.edu

well as the disruption and possible decimation of human civilisation from human-based interference in the earth's ecology. The necessity to confront these enormous challenges must be central to the emerging socialist strategy. But while recognizing the urgency of addressing the interlocking problems of global inequality, climate change and weapons of mass destruction, it is also clear that many technological and organisational constraints have been relaxed greatly. The realisation of the socialist promise of human development and freedom is becoming increasingly attainable if false paths, often well-trodden, are avoided and successful strategies, often available 'off the shelf', are pursued.

Many obstacles remain. The ones to be focused on here are the distortions emerging from present-day intellectual discourse. Economic orthodoxy and, upon occasion, advocates of progressive reform have led us away from a human-centred approach to the economy and society, the path to be followed if the new society is to emerge. The contention here is that at least some of the past failures of the socialist programme were linked to inadequacies in the underlying conception, and not to poor execution, the opposition of enemies, or bad luck.

The term 'socialism' is often used loosely as an all-embracing term to describe a progressive agenda. But there exist two prominent conceptualisations of socialism, and they are largely orthogonal to each other. The essential socialist goals embodied in the Radical Enlightenment principles discussed above may be juxtaposed with a second conceptualisation, an identification from René Descartes (also, of course, emerging from the Enlightenment) of socialism as a planned, rational approach to economic allocation, to be contrasted with the 'anarchy' of capitalism as its antipode. The two conceptualisations are quite distinct. In the jargon of economics, human freedom, equality and democracy represent the targets, while central planning came to be seen by many socialists as the inescapable instrument to achieve these targets.

We reject this view of central planning as an appropriate focal point of socialist thought. Tendencies in the direction of *planification* can be and often are elite-driven projects (frequently focused on an idealised vision of the engineer) that have little to do with the aspirations for social equality and democratic control; anti laissez-faire policies of this kind (in a corporate state-fascist context, they might well be reactionary) sometimes, misleadingly,

acquire the label 'socialist'. In the peculiar manner that the history of these doctrines has unfolded, it is policies associated with the Plan that have often been identified with 'real' socialism, while activities linked with Radical Enlightenment principles (e.g. expansion in access to education) have often been treated as mere exercises in social democracy.

This essay accepts the Radical Enlightening goals of human development, equality, material security and democracy. Our focus is on the implications of these goals for a socialist agenda of policies and interventions. Some limitations of our analysis should be emphasised at the outset, most specifically, the absence of strategies for the formation of the movements and organisations needed to fight for the implementation of the socialist agenda. Rather than attempt to present a complete strategic perspective, we focus on the articulation of a coherent vision of socialist development, an essential concomitant of mobilising support for a socialist agenda and ensuring its overall coherence.

A second set of limitations relate to our focus on rich countries. Many issues will look quite different from the perspective of a poor country characterised by widespread poverty and large amounts of underemployment in subsistence agriculture and informal urban sectors. These features do not invalidate the primary focus here on human development, but a range of constraints, priorities and policies are likely to differ from those in rich countries.[4] The commonalities and contrasts between socialist priorities in rich and poor countries is a vast issue that must be put to one side here.

Sections 2 discusses traditional socialist views on central-planning and nationalisation of the means of production. The Radical Enlightenment vision is presented in greater detail in section 3, along with examples of interventions and policies. Section 4 turns to macroeconomic policy and its role in a socialist agenda. This section also comments briefly on some differences between our perspective and well-known strands of heterodox macroeconomics. The concluding section 5 considers the viability of a socialist economy –

[4] As pointed out by a referee, there may be important questions of path dependence and the influence of political systems on economic development; Sen (1983) offers an interesting perspective on some of these issues.

were the proposals to be implemented – and the relations of the proposals to trends in contemporary capitalism

2. The planning detour

In the early twentieth century, a more definitive version of the conceptualisation of socialism as planning emerged with the notion of the new society having aspects of 'one big factory'. The principles of this Technocratic Planning Paradigm (TPP) were widely recognised across a broad spectrum of thinkers that included not only self-identified socialists, but those deemed technocrats, Saint-Simonians and a range of incipient corporatists, including proto-fascists.

The first principle of the TPP emerged from an empirical generalisation: there had been an inexorable growth in the efficient scale of enterprises and of units of production in modern capitalism. This observation gave rise to a notion that the future socialist economy could be observed in an incipient form from contemporaneous exemplifications, especially the giant, self-contained corporate entities of North America, so that Thomas A. Edison and Henry Ford became the unlikely heroes of socialism, their creations the auguries of the future planned society. For European socialists, the German economy, closer at hand, was an important focus for these attitudes, especially in the context of extravagant claims for the planned, rational nature of the First World War German economy.[5] Vladimir Lenin declares in 1917, in a fit of irrational exuberance, that the post-revolutionary economy can simply be administered by a few accountants. (Lenin 1917, pp.119-122).

Second, accompanying the focus on increases in the efficient scale of units of production was the inference that the liberal vision of competition between enterprises as a mode of regulation for the economy was obsolescent (Steinmetz 1916).[6] The word 'monopoly' took centre stage in the analysis, and socialist variants of TPP integrated the nefarious behaviour of giant firms with the ability of the financial sector to disrupt whole economies while pursuing what would appear to be casino-like activities. In this context planning was seen as

[5] There were a series of articles written in 1915-1916 to this effect by the Bolshevik Yuri Larin published in *Vestnik Evropy* (European Herald); see Auerbach et al. (1988).

[6] This principle was readily accepted by the business class itself as justification for market dominance of important sectors of the economy.

a mode of regulation for the economy in place of an inoperative or dysfunctional competitive mechanism. TPP offered alleviation for periodic and pronounced economic crises (in whose observation and conceptualisation Karl Marx had played a pioneering role in the 19th century) by proffering a planned, technocratic alternative.

Third, there was a general embrace of an engineering perspective that viewed activities such as administration, marketing and, especially finance as peripheral: all were waste, to be eliminated in a rational approach to the organisation of economic activity (Veblen 1921).

The TPP as a vision of the future of capitalism was deeply flawed. The notion that capitalism in its most mature phase was moving headlong in an administered direction was simply false. The conduct of business affairs within enterprises did indeed grow ever more sophisticated over the twentieth century, but the resultant effect was not the appearance of a Galbraithian New Industrial State (Galbraith, 1967) and a capitalism dominated by monopolistic 'islands of planning'. Rather we observe, by the latter part of the twentieth century, a pronounced loss of control by these enterprises over their own destinies engendered by the growth of rivalrous competition, most especially in an international context. When the market power of these giant enterprises was preserved and, in some cases, increased in recent years, it has often been a result of the application of the most ancient of remedies, government patronage (e.g. the 'defence' industry) or protection, with intellectual property rights [IPRs] now the most conspicuous weapon (Sherman 2019, McCormick 2020).

When the TPP vision of capitalism was applied in a post-revolutionary context by Lenin using his 'with a few accountants' methodology, the results -- the economy of war communism – were catastrophic and had to be abandoned for a 'New Economic Policy' (NEP) that allowed market forces to operate. The full-fledged commitment to the planned economy in the Soviet Union that followed in the late 1920s is one of the major events of that century, with striking and tragic consequences. A full consideration of the manifest failure of state central planning in the Soviet Union and other countries in which it was implemented would, of necessity, be accompanied by a consideration of a range of historically contingent events, including the Second World War, the effects of Cold War inhibitions on trade and technological blockades, the burden of Cold War arms expenditure, and the economic, social and political heritages of

the countries involved. But the central planning system did not fail merely because it had never been done 'properly', or because of the wiliness and tenacity of enemies (Kornai 1980).

However, the biggest failure of central planning as a fulcrum around which to build a left alternative to capitalism stems from its incapacity to reflect the focus on human-centred development and democratic decision-making that must be part of a socialist programme. This deficiency was manifest in the substantive unfolding of the operation of centrally planned systems across the twentieth century but also reflects a fundamental incompatibility between central planning and democratic decision-making. The central planning agenda does not lend itself to the fulfilment of aspirations for autonomy and democracy at the level of the workplace. Indeed, not only are such conflicts easily imagined, but they in fact constantly arose in the context of the history of centrally planned economies. The problems of bringing recalcitrant actors in conformity with the dictates of the centre endangers the very vision of socialism as human development and freedom. The traditional Trotskyist view was quite to the contrary: the failures of central planning, as in the Soviet context, were due to a lack of democratic decision-making, which was then reflected in both politics and in economic outcomes. But the form of static, top-down democracy that was invariably envisioned (Mandel 1986), with the broad base of the population somehow assenting to a General Plan on, perhaps, an annual basis, reflects a limited, static view of democracy, one in which, once the Plan is in place, few base-level decisions are possible, or desirable. If, indeed, continuous democratic 'interference' were possible, what is the point of the Plan?

The Leninist notion of running the economy 'with a few accountants' represented a dangerous and misguided detour founded in large part on a misreading of the trajectory of capitalism. But the neoliberal vision also fares poorly. The widespread and, in many cases, uncritical reception to a neoliberal vision of economic organisation cannot be supported by the economic history of the recent period or economic logic.

Exceptions to the use of pure market mechanisms are acknowledged even by staunch supporters of the neoliberal programme. Externalities and collective action problems make it necessary to centralise strategic decisions concerning investment in key domains such as

basic infrastructure, urban planning, and health.[7] But the role of state intervention goes beyond these areas. A recent triumph often attributed to the dynamism of free market capitalism, the extraordinarily rapid development and maturation of the electronics sector in the US after the Second World War, proceeded under the aegis and as a direct result of intervention by the US Department of Defense. This act of state involvement in economic planning, though taking place in the particular context of Cold War military rivalry, was also emblematic of fundamental aspects of free market failure in the context of the dispersion of information. Thus, it is unlikely that any individual capitalist enterprise would have been able to capture the full value of the basic research involved in this emergent technology, making 'underinvestment' inevitable if the research had been pursued in a purely capitalist context; the attempt by AT&T to garner all the gains of its initial discoveries for itself was thwarted when the US government forced the company to licence its patents on the new semiconductor technology to rivals, an act undoubtedly helping to generate the ferocious levels of competition and innovation that became associated with this sector in its efflorescent period (Lécuyer 2006, Mazzucato 2013).[8]

The electronics example illustrates a developmental role of the government policy that has gained recognition. But development policies need not be socialist. Nationalisation is not *per se* a socialist measure, and it sometimes proves to be pointless. The example of post-Second World War Britain demonstrates that government takeover of sectors of the economy can lead nowhere. If, as in the British case, the former owners are fully compensated for the takeovers, there is no obvious redistribution of income or wealth; if the 'new' management of the nationalised enterprises is chosen from the revolving door of existing managers and the voice of workers in enterprise decision-making is no greater than before, it is not evident that democracy, either for the economy as a whole or within the enterprise, has been advanced. Perhaps most significantly, in the absence of a clear set of goals for the nationalised

[7] Even Hayek (1960) accepted the need for a governmental role in urban planning; health may not be quite as universally accepted, but the experience of the late 19th century was that this most decisive aspect of the improvement of the material conditions of the populations of Western Europe and North America under the aegis of capitalism resulted from actions on public health, most especially the control of infectious disease, which were almost invariably the product of interventions by the state (Fogel, 2004).

[8] In this light, the increasing use by firms of patents (or, more broadly, IPRs) suggests a highly dysfunctional and anti-social element in present-day capitalism, by which a constriction in the flow of new information and ideas to others may function as a core-level competitive strategy (Boldrin and Levine 2013).

enterprises that differed from those associated with the heretofore privately-owned firms, their operation and development is likely to be poor, as in the case of nationalisation in Britain of such industries as steel, cars and shipbuilding. (Nationalisation for the sake of being integrated into a central plan may, or may not have been advisable, but at least, under such circumstances, it would have had a coherent purpose.) To make matters worse, these nationalised enterprises found their behaviour subject to partisan political considerations, with perhaps even less of a tendency to function in the public interest than if they had been private firms subject to an independent regulatory relationship of an adversarial nature (Chick, 1980).

3. A socialist agenda

Externalities and collective action problems are ubiquitous in areas that are central to a Radical Enlightenment conceptualisation of socialist priorities, with planning and direction of the economy in the broadest sense as well as public ownership of sectors of the economy playing important roles in the formulation of a socialist alternative. But the Cartesian vision of planning and public ownership takes a subordinate and supportive position. It is the Radical Enlightenment focus on human development, equality, household security and democracy which plays the predominant role.[9]

a. *Human development*.

A primary aspect of a socialist programme is the cultivation of an equal opportunity for self-realisation and development of personal capacities for all individuals in society, with work moving from alienated, quasi-enslaved activity to 'autonomous, self-realized labour', in the words of the young Marx.[10] Human development is the most fundamental of Radical Enlightenment constituents of socialism.

[9] Our interpretation of the Radical Enlightenment is a rational reconstruction in the manner of Imre Lakatos, rather than an historical interpretation, derived from Israel (2001). A referee has suggested affinities between Roncaglia's (2005) distinction between 'systematic' and 'spontaneous order' Enlightenment thinking and our distinction between 'radical' and 'planning'.

[10] Enlightenment thinkers such as the Marquis de Condorcet and Wilhelm von Humboldt emphasised the importance of early childhood for human development. Pioneering work from Mary Wollstonecraft from the end of the eighteenth century opposed Jean Jacques Rousseau's assignation of gender roles from the youngest ages and advanced the centrality of education in the cultivation of self-governance for all individuals (Mackenzie, 2016). In the twentieth century, we see in Dewey (1915) one of the rare attempts to focus explicitly on education from the earliest years in the context of the formation of free individuals and societal

Both economic analysis and much public debate have been heavily focused on a very narrow conception of human attainment: the need to acquire skills in order to increase economic productivity and income. In the theory of human capital -- originally formulated purely from an empirical perspective but then elevated by Gary Becker to having theoretical and ideological status (Becker, 1962) -- rational individuals choose whether to enhance their levels of human capital by investing in formal education. For Becker and the bulk of the human capital literature, the theory emerges as one of utility maximising adults making choices about investing in themselves and their children.

Exogenously determined utility functions represent a notion of human personality and its capacity that has ancient origins in the Augustinian idea of a pre-existent soul. This approach developed within the economics of the 19th century into a view of human behaviour as the actions of a self-determined, choice-making (male) individual. This very structure of received economic theory makes it difficult to approach what should be a central question in the social sciences: how are individual personalities in society – their attitudes, as well as their repertoire of skills and intellectual capacity – shaped by societal decisions past and present?

In the absence of this fundamental dimension of human development, the productive gains to society of any enhancement in its 'stock of human capital' are postulated to register primarily, and sometimes solely, as (financial) gains to individuals – increases in their future stream of income from this investment.[11] But education has a role that goes far beyond the

---

reform. The most significant intervention in this direction in contemporary economic thinking may be found in Sen (1999). He rejects the widely accepted neoliberal dichotomy originally found in Isaiah Berlin (1969) between two concepts of liberty, a negative one (e.g. freedom from censorship) and a positive aspect (e.g. literacy campaigns), in which the latter is usually consigned a lesser status as libertarian virtue. For Sen, by contrast, the freedom and development of human beings are rather seen to advance in tandem, with the individual enablement emerging from education acting to ratify the absence of censorship.

[11] This last presumption is a very peculiar one. It would appear that nothing is more decisive to the hegemonic dominance of the species homo sapiens than its acquisition (if that is the word) of language. But this enhancement in the 'stock of human capital' is quintessentially a development pervaded with positive spillovers – one in which the gains to the species as a whole vastly exceed the gains to any one individual. Language facilitates the dispersion of skills and the inter-generational transmission of acquired knowledge, and promotes the development of strategic conceptions as well as complex mutual interactions in the form of teamwork (Auerbach, 2016, Chapter 7). The effects of spillovers – from investment in human capital as well as from learning by doing or the public goods character of knowledge – have been recognized in endogenous growth theory as well as in traditional theories of economic development. But the role of learning and its

production of marketable skills. Yet, for the great mass of children in most countries, what passes for education continues to be the dreary, brutal, post-Industrial Revolution factory-like activity it has always been with, if anything, an intensified focus on examination results and the (near-) exclusion of supposedly peripheral activities such as musical studies, history and, in the English-speaking world, foreign languages. The focus on skill acquisition has marginalised these more broad-based attainments and, at least implicitly, has led to a denigration of the role of education in preparing individuals to be citizens in a democratic polity. The one group that in recent years has focused on the elevation of the quality of childhood education has been the elite, with the most prestigious private schools putting a renewed focus on intellectual attainment, creative endeavour and broad-based facility for assimilating world culture, including the arts and foreign languages (Edemariam, 2013; Powell, 1996). The bifurcation of society that is manifest in the increasing levels of income inequality that have emerged in recent decades appears to be complemented by an equivalent growth in the gap between classes in society in the acquisition of an intellectual repertoire and accoutrements of world culture. Inequality thus becomes a self-fulfilling justification in a meritocratic discourse – as anticipated in the classic book by Michael Young (Young, 1963) and more recently in Sandel (2020).

Children's opportunities for developing their capacities depend on their environment, and formal education, including pre-school facilities as well as pre and post-natal care, are the most direct and immediate public policy intervention. But a socialist approach must abandon the narrow and purely instrumentalist view of education as skill acquisition in preparation for 'productive jobs'; an overly tight linking of skill acquisition to the present needs of employers would, in any case, be a fool's errand in the context of rapidly changing demands for skills in a working context, with such demands better met by broad-based skill development – education - of the population. More significantly, much of what is most precious in a culture emerges and flourishes from little-understood social movements (e.g. the development of jazz in the US in the twentieth century), rather than from the activities of even the most well-intentioned of social planners. The goal of social policy must therefore be to offer

spillovers in this literature is purely instrumental: it raises productivity and economic growth (e.g. Lucas 1988, Romer 1990).

opportunities for individuals and groups in society to develop and originate their own creative capacities (e.g. through the provision of tuition on musical instruments at school), rather than attempting to impose an approved set of paths.

Let us dwell slightly longer on the contradictions of consumerism. The psychoanalyst Erich Fromm (1976) counterpoised life-enhancing human activity with goods consumption - was civilisation indeed advanced when the piano was replaced in the bourgeois household by the gramophone? The issue is a complicated one. We may use the example of the extraordinary mid-twentieth century jazz pianist Art Tatum, the product of a working class African American, rather than a bourgeois household. The details are murky, but he appears to have had access to a piano at a young age, fostering his prodigious talent (Lester 1995). The *avant garde* of the jazz piano world was in New York, whose ragtime competitors 'from the sticks' were looked down upon by the New Yorkers. But Tatum was from Toledo, Ohio, and yet emerged as the supreme musician, having mastered the most advanced techniques and tendencies by hearing them on radio and gramophone. In drawing lessons here, perhaps an imperfect analogy is apposite: the health of a child can be damaged by over-use of technology – by being driven everywhere in a car instead of walking, running or bicycling – but, for a range of people, access to exercise machines may be useful when other opportunities are excluded. The conclusions to be drawn are that technology, thoughtlessly used (people, and especially children, getting in the habit of listening to the radio and gramophone, rather than going through the arduous task of mastering a music instrument) can destroy the living, active aspect of a culture, of individuals being and participating in it; at the same time, these technologies can enrich and disseminate culture in ways unprecedented in the past. This *being* culture is more alive, vibrant and sustainable than one built on *having*.

Last but not least, the general education system has a fundamental responsibility to prepare students to participate actively in democratic processes. But human development does not end at age 25, and flexible access to free adult education, both vocational and nonvocational, can play a role in enhancing human freedom, permitting individuals to change direction vocationally and to cultivate new fields of activity – intellectual, artistic and athletic. Such access could be combined with a right for everyone to periodic leave with full or partial pay. Less radically, a way to combat the dispersion of pseudo-science and pseudo-history is the

underwriting through public funding of high-quality programmes with broad appeal (e.g. the science programmes produced by PBS in the US), which may serve as a base-line of quality and accuracy for a broad range of offerings.

Battles over education in the form of knowledge acquisition, but as well over preparation to function as a free citizen at work, in society and vis-à-vis governing bodies are fundamental and must be confronted directly unless we simply postulate that personality formation emerges in the form of exogenous utility functions. A primary goal of an educational programme should be to attempt to compensate for differences in household resources and impart to all children the opportunity to acquire the behavioural, intellectual, and even physical repertoire typically bestowed on young children from elite backgrounds. Any serious attempt at a programme of this kind would involve an enormous resource commitment, one greater than that devoted to the pointless project of landing a person on the moon in 1969, or even the murderous enterprise of the annual manufacture of weapons of mass destruction. There are regular reports in the public media surrounding the chasms in the acquisition of this repertoire from children of different classes that emerge in the first years of life, (e.g. Michnick Golinkoff et al. 2018; Feldman 2019), but they are given the kind of attention accorded to the discovery of a new moon on a distant planet, rather than a central factor shaping the future of human civilisation.

b. Equality and household security

Policy cannot be restricted to formal education and childcare. The primary social factor impinging upon a child's development is the household environment which embraces the behavioural and intellectual characteristics of those raising the child (parents or care givers), the physical characteristics of the dwelling, the provision of food and amenities, and neighbourhood characteristics, including physical safety, sanitary and environmental conditions and the presence of public amenities such as public transport. No simple remedies will deal with all the elements. A set of complementary policies will be called upon, including free and universal health care, affordable housing and high-quality childcare, child benefits, and paid sick and family leave.

Broader issues surrounding household security, including those affecting primarily the lives of the parents or carers, also impinge upon the life of the child, such as continuity and regularity of work conditions and a decent income. A strengthening of unions, labour market legislation, and health and safety regulation clearly come into play here.[12] Economic security plays a vital role in planning for the development of the human assets of the household, an issue skirted over even in the human capital variants of economic orthodoxy. Eliding the distinction between necessities and luxuries, remuneration is often conceptualised as an issue that is – for all groups, rich and poor – about incentives. At the low end of the income spectrum, however, a shortfall in income can result, not in an 'incentive' of one kind or another but, by cutting into the consumption of necessities, reduce the household's capacity to function – to preserve and develop the human assets of its members (Gough 1991).

The link between income inequality, more especially the presence of poverty, and the child's upbringing is straightforward, but note the substantial number of factors other than income needed to evaluate the environment in which a child develops: a child growing up in a low-income family in Tokyo is likely to be faced with substantially lower levels of neighbourhood violence than one in New York City. Notions of economic and social equality are far from being adequately described by statistics on the distribution of income and wealth, however useful they may be. To rely on such statistics exclusively also precludes consideration of aspects of inequality linked to the presence of social hierarchies -- including class differences and gender and racial discrimination – as well as asymmetries in access to information and the more subtle aspects of social mobility, as embodied, for instance, in the self-confidence and class cohesiveness imbued in those 'born to rule' in British private schools (Kynaston and Green, 2019).

With human personality and capacity itself contingently shaped by levels of social and economic equality, distinctions between 'equality of opportunities' and 'equality of outcomes' become blurred (Phillips 2004); highly unequal outcomes are incompatible with equality of opportunity. Traditional welfare analysis is also affected. The notion of preferences and utility functions as the foundation for analysing human behaviour and

[12] EPI (2018) presents a concrete list of reforms in a US context.

welfare can no longer be justified on the basis of the scientific principle of simplicity (if care is not taken, one can slit one's throat with Occam's Razor). Thus, when considering 'theories of justice', the main consideration, we are told, is whether the distribution of income in society is 'fair' (Rawls, 1999). But once the child, rather than the adult, enters as a representative human being, the distribution of resources in society impinges upon the formation of the human personality itself. Equality ceases to be a parameter easily summarised in simple statistics and instead embodies the very context in which a human personality and its intellectual and behavioural repertoire are formed (Auerbach 2016, Chapter 10).

c. Democracy.

Under capitalism the workplace is governed by a work relation that contains the 'capitalist as chief, and work-people without a voice in the management' (Mill, 1870). The principle of democracy in the socialist tradition, by contrast, evokes a notion of popular control that moves beyond periodic voting to various aspects of daily life, and most especially to democratic control in the workplace. Cooperative enterprises to replace capitalist ones have had only limited success in advancing democratic control, however. In no economy have they become predominant, and while important instances of cooperative and team-organised activities in manufacturing and services have existed and sometimes flourished, they have done so primarily by adhering to norms set by capitalist-dominated markets (Alperovitz 2013).

Even if the external workings of a cooperative enterprise may be largely dictated by market-based norms, the enhancement of democratic control in the day-by-day workings of the enterprise is worth pursuing. But worker control of an enterprise is not achieved by an act of legislation on the path to socialism – it is part of a reconfiguration of human relations both within the enterprise, and external to it. Human development is an essential part of this process. The need to provide every individual with the preparation from the earliest years to function as a free citizen – to exercise control, individually and collectively, at the workplace and in society, is particularly relevant for women, minorities, and individuals from lower income and deprived groups, if ordained rights are not to be merely *pro forma*.

A prominent academic literature depicts the firm as a voluntary interaction of a team. The central agent (the capitalist) typically hires workers to perform tasks, but it might just as well have been the other way around - workers could have hired a capitalist, whose specialised skills would facilitate team production: '[In] the classical firm… the central agent is called the firm's owner and the employer. No authoritarian control is involved. The contractual structure arises as a means of enhancing efficient organization of team production' (Alchian and Demsetz 1972). Let us, for the sake of argument, put to one side the fanciful notion that ownership *qua* ownership is of no consequence and that workers, acting collectively, could well have, in this world of a perfect capital market, hired a capitalist as manager to run the enterprise. What remains is the valid point that, even putting to one side Marxian notions of capitalist exploitation on the basis of ownership, an individual, whether dubbed agent or manager, may gain an exceptional level of remuneration and the ability to exercise disproportionate influence over the mass of workers due to his or her possession of specialised skills.

An historical illustration may be useful. In the process of forced collectivisation of agriculture in the USSR in the late 1920s, the key slogan from the state was the 'liquidation of the kulaks (rich peasants) as a class'. And yet decades later, Soviet authorities continued to evince unease about the pervasive influence in the collective farms of these very same kulaks. Their possession of technical and managerial skills, as well as the social networks necessary for the procurement of inputs (seed, etc.) for farm production and, perhaps, the presence of a residual level of deference from the poorer peasants, dictated that the tendency for these former kulaks to emerge as, at very least, *de facto* collective farm leaders. Even murderous exertion from the state, it seems was not sufficient to dismember the class hierarchies present in agricultural production (Fitzpatrick 1994). It is for this reason that we emphasise that even highly desirable interventions that promote democratisation of the workplace (Devine, 2010) must be complemented by a 'cultural revolution' that minimises any gap in skills between management and worker and enhances the capacity for self-rule on the part of the latter.

Capitalists find it more difficult to exercise control in situations in which their managerial advantages are minimised, so that, historically, labour unions of skilled workers across many

countries, most especially in sectors such as shipbuilding with a high degree of self-organisation, posed the greatest challenges to capitalist dominance. Within the enterprise, the presence of high skills in the workforce can facilitate the assimilation of information about the functioning of the enterprise and its monitoring; it can even make the presence of management look redundant. And capitalists have often made strenuous efforts to reorganise the work process to thwart the continuance and development of forms of worker self-organisation (Braverman 1988).

The *de jure* power of labour becomes important, however, in this contestation between labour and capital. In Germany, even the feeble levels of influence given to organised labour in corporate decision-making in the process of co-determination have led to a situation in which Germany's employment ministry (under a Christian Democratic government) has banned its managers from calling or emailing staff out of hours – a development unthinkable in the US under any political administration.[13] The forms of worker representation in corporate decision-making have had limited overall impact but, as illustrated here in the case of Germany, can yield some promising developments on, at very least the peripheral aspects of working life.[14]

The power of the working class vis-à-vis capital is most importantly dictated by the level of labour union organisation, in which *de jure* legitimation and constraints play a key role; the dramatic decline of unionisation in the US can be explained in large part by legal changes that undercut the ability of workers to organize and bargain (Rhinehart et al. 2020). In this regard, it is definitive that the Samuel Gompers strategy for US labour unions at the beginning of the twentieth century – that they should pursue purely economic goals at the level of the individual union and abjure broad political strategies and involvement – was, in the longer term, an abject failure, the post-Second World War period seeing a precipitous decline in the gains made by unions in the New Deal period, much of this brought about, or at least

[13] The ministry 'is following the lead of major German companies such as automaker Volkswagen and Deutsche Telekom' with 'official guidelines stating that no staff should be penalized for turning off their cellphone or failing to pick up messages after working hours "to prevent self-exploitation"' (Reason, 2013). A brief description of the German system of co-determination can be found at Deutschland.de (2013)

[14] Labour unions pushed more radical proposals for economic democracy in the Nordic countries in the 1970s but were met by fierce resistance; in Denmark the labour movement had largely abandoned these plans by the mid-1980s.

accelerated by anti-union legislation. The US is now the bellwether for a link between income inequality and labour union weakness (Jaumotte and Buitron 2015) and registers hours worked per year at a level that is, astoundingly, 26 per cent greater than an average of Denmark, Norway, Germany, Netherlands and Sweden (OECD 2019). It is not only, however, in these concrete economic outcomes that we observe the failed Samuel Gompers strategy. Such an approach, besides negating the important, and inevitable role of labour unions in politics and public policy (Ahlquist 2017) fails as well in neglecting the important role of unions, one well-established already in the nineteenth century, of serving as a source of information and perspectives that is independent, and apart from, the corporate owned and dominated sources of mass culture (Macdonald 2019).

A dearth of reliable information in the public sphere can be a major obstacle to democracy, both at the firm level and at the level of society as a whole. Basic facts about, for instance, the distribution of economic rewards in society are often buried in a miasma of misinformation and confusion. Governments often attempt to repress information that might be embarrassing if publicly disclosed, but in the absence of tenuous national security justifications, such suppression is seen as blatantly self-serving. By contrast, a rich Lockean philosophical heritage has linked the existence of private property to liberty and a concomitant repression of information from the public domain, which has encouraged a culture in which the 'default setting' is the repression of information, even in the case of a large corporation. Other approaches are, however, possible. Following up on a tradition emerging since the 19th century, all Norwegian tax records since 2001 have become easily accessible online, a fact that has had interesting and curious cultural side-effects, (Perez-Truglia, 2020) but whose longer term political and social ramifications - and possibilities - are barely discernible

It would be no less desirable to match the transparency manifest by public disclosure on levels of income and wealth of individuals with the institution of a similar level of disclosure concerning the manner in which business enterprises function, including the procedures they use for the making of business decisions and for the setting of remuneration standards. Such changes would be of both symbolic and substantive significance. At a symbolic level, high levels of public scrutiny for enterprises, especially larger ones, would challenge the Lockean

notion that, for instance, an enterprise decision to shift its production overseas is a matter of the disposition of private property, and no more a question for public inquiry than how an individual re-arranges the furniture in her dwelling.

Developments of this kind that impinge upon the inviolability of private property would not be unprecedented. Governmental restriction on the freedom of, especially, large enterprises to do what they please emerged in the US in the late 19th century with the passage of the first antitrust legislation and laws enforcing food and drug purity; enterprises that sell shares to the public found themselves progressively subject to enforced public disclosure of basic accounting information over the twentieth century. Enterprises had often withheld such information, claiming that material of value would be revealed to competitors, but legally enforced universal (within a nation) disclosure largely neutralised this excuse. The adaptation of legally enforced disclosure came about because the owners of enterprise shares – a small group in society of wealthy individuals – were often favourably disposed to this form of regulation, hoping it would function as a mechanism for the monitoring of the managers who directed large enterprises with increasing independence from shareholders. Few of these regulatory developments concerning public disclosure of accounting information, however, were of any benefit to the other stakeholders in the enterprise – its workers, customers and suppliers. The promotion of a legislative framework that puts a spotlight on the public's right to know how the activities and decision-making procedures of enterprises are carried out would be complementary to an extension of labour union power and the worker representation on the corporate boards. Having the details of the functioning of the enterprise open to public scrutiny, including details of working conditions, would be a prerequisite to asking fundamental questions about its public role and public responsibilities.

In dealing with democracy, this last on the list of Radical Enlightenment constituents of socialism, we have focused on democratic control of the place of work as an aspect that is typically thrust to one side in conventional discussions of democracy. Workplace democracy at the enterprise level does not simply scale up at the societal level, even if we consider only economic decisions like production, work organisation, and pay. An enterprise controlled democratically by its workers still has to exist in a social context, in a relationship to the economy as a whole.

One aspect concerns the distribution of income. Democratic decisions at the firm level do not address inequality across firms, and economy-wide distributional conflicts will not magically disappear with the first socialist reforms. Individual cooperative enterprises could easily find themselves in a 'war against all', with some benefiting from the ability to exploit monopoly or differential rent advantage. A particular concern in recent times has been the role of corporate giants as gatekeepers of information and the pernicious influence of social media and Big Money in the decimation of democratic processes, a development most striking in the US, but manifest elsewhere. Tackling these problems represents an urgent challenge for any progressive movement, and socialists weaned on the prospects for a centrally-planned economy may have to re-learn lessons from the twentieth century concerning anti-monopolies policies and the control of Big Money in politics (Teachout 2020). But questions surrounding the regulation of enterprise performance from a societal perspective will continue to obtrude, even in a world of cooperative enterprises and widespread workplace democracy. Economy-wide post-tax inequality will be affected by the structure of taxation and public spending; progressive income, wealth and estate taxes and a strong social safety net are obvious examples on the tax/transfer side, while public spending on childcare and education exemplifies the spending side. Pre-tax incomes can be influenced by regulation of goods and labour markets. Strong labour unions can help manufacture consensus on what constitutes a fair wage structure, as exemplified by 'solidaristic wage policies' that compress income disparities (Schulten, 2002).[15]

The limitations of workplace democracy as the locus of decision making on production and pay shows up in other areas. Democratic firms, like their traditional counterparts, have no incentive (and often insufficient information) to consider externalities. The emerging ecological crises, the most pressing of which is concerned with global heating, is the obvious example. Centrally imposed regulation as well as Pigouvian taxes and subsidies are needed to address these externalities. Carbon taxes, for instance, can speed up a green transition, and congestion charges can alleviate urban congestion and improve air quality. These

[15] Centralised unions have also acted as a moderating influence on nominal wage demands and inflation. They often recognise that raising all nominal wages may generate a significant rise in consumer prices with little or no improvement in real wages (Calmfors and Driffill, 1988)

interventions typically have distributional effects, and it is encouraging to note that the Green New Deal in the US and policy proposals from Green parties across the world have increasingly taken these distributional effects seriously, a major achievement in the context of the origins of the ecological movement in elite groupings and self-righteous rhetoric (Carey, 1992).

Policy choices, finally, must be made with respect the role of finance and the financial sector. Once a central planning approach based upon the TPP is dismissed, the convenient left-wing stance suggesting that finance is an inherently predatory activity does not solve the question of how investment funds are to be allocated. One element of reform will be a new culture of the free dispersion of information, permitting the public to make inquiries on how decisions are made concerning the allocation of financial resources. In such an information-rich environment, market-based financial allocation (stock and bond markets, etc.) may no longer offer advantages to society of a broader dispersion of information compared with financial institutions, so that the lethal destabilising effects of financial markets at the macroeconomic level can be mitigated by reducing their prominence in economic allocation. Transparency has, in fact, been moving in a retrograde direction in the US in the past several decades, with a permissive attitude to antitrust and the emergence of giant financial entities that serve their own needs and those of their owners, under the dubious presumption that some invisible hand aligns their actions with the public good.[16] But transparency clearly is not sufficient. Other reforms will be likely to involve breaking up financial giants, enhanced regulation of financial practices and institutions, and Tobin taxes. Public financial entities could also be created (possibly through nationalisation) to finance priority areas in which externalities make private investment socially desirable but unprofitable at market rates of interest. Investments with strong environmental benefits represent obvious examples, but externalities affect multiple aspects of human development, and a human-based approach to finance will put a higher weight on policies that promote a stable economic environment and economic security to households, even at the cost of a superficial economic dynamism.

[16] In the US especially, such has been the revolving door between regulators of the financial sector and those involved in its governance that, perhaps even in the context of some imagined nationalisation of leading financial institutions, there are few individuals left to direct these entities who might possess the experience and institutional knowledge needed to re-orient the financial sector in the direction of projects with a public purpose. A reconstitution of a culture of public service among individuals engaged in regulating the financial sector may be a prerequisite to it functioning in a manner conducive to human needs.

4. Macroeconomic policy

Having rejected the TPP approach and left significant space for decentralised decision making, a mechanism for macroeconomic stabilisation must be found. The maintenance of full employment falls to some form of Keynesian policy – a set of instruments unavailable to socialists in the 19th and early 20th centuries.

Business cycles are dampened by automatic fiscal stabilizers, and these are inevitably strengthened by an enhanced role of government in key investment decisions as well as by improvements in the social safety net. Formalized employer-of-last-resort programmes can play a role as automatic stabilisers as well, but a combination of generous unemployment benefits and active labour market policies may be preferable; in fact, the lines between employer of last resort programmes and active labour market policies become blurred if the active policies include government provided or subsidised jobs, as is the case in some countries.[17] Discretionary policy can and should be used to complement the automatic stabilisers.

In principle, a socialist economy could also face 'structural aggregate demand problems' or 'secular stagnation'. An economy with a low growth rate of potential output – low population growth and low rates of technical change – does not need to expand its capital stock at a fast rate. Investment will tend to be low, and the economy faces a structural aggregate demand problem if the private saving rate is high. The Japanese economy after 1990 is emblematic of this scenario (Nakatani and Skott 2007). Sustained fiscal stimulus can be used address this problem and maintain full employment.[18] The interventions can be structured to stimulate consumption or, alternatively to create incentives for reduced working hours – extended parental leave, improved early retirement options or increases in paid vacation, for instance.

[17] Wray (2011) are among the advocates of employer of last resort, while Sawyer (2003) and Palley (2020) present critiques. Heinesen et al. (2013) provide a brief description of active labour market polices in Denmark and estimate their effects for immigrants receiving social assistance. See Card et al. (2010) for a meta-analysis of active labour market policies.

[18] Abba Lerner (1943) laid out the basic argument for what he labeled functional finance, that is, the use of fiscal and monetary policy to maintain full employment and a desirable level of investment; Ryoo and Skott (2013 and Skott (2016) discuss dynamic implications for public debt and the sustainability of the policy.

Issues of aggregate demand have figured prominently in heterodox macroeconomics, and it may be useful to relate our sketch of the role of macroeconomic policy to two strands of the literature. One strand has promoted 'wage-led growth' (e.g. Lavoie and Stockhammer 2013), arguing that an increase in the wage share would raise the rate of economic growth in most economies. Notions of wage-led growth have obvious political appeal. A convergence between progressive policies on income inequality and macroeconomic expansion implies that redistributive policies become desirable from the perspective of the most widely used criterion for good performance. But the issue of the true target of policy – is it GDP growth or a more egalitarian society? – becomes muddled in the process.

Clarity and precision concerning the targets to be pursued are vital: strategies of egalitarian human development compared with rapid economic growth – even if positively correlated – will not be identical and may dictate different, or even opposing, specific policies. Historically, for instance, car production has contributed to economic success as measured by GDP. From a human-based perspective, what we are largely consuming is not the physical object – the car – but the ability, for instance, to move through a city quickly. Yet, for many decades, journey times have not been falling (to understate the case) as car production and consumption have increased. We have examples, however, of how congestion charges and more thoughtful organisation of cities can complement improved public transport. Measured GDP may not increase, and could even fall, but the result can be faster journeys, less pressure on resource use and improved air quality. Urban planning with networks of bicycle paths and walkways as well as safe local public parks, playgrounds and sports facilities lower levels of childhood inequality and also increase children's ability to move about independently rather than depend on adults, most especially in contexts where the lowering of living density to accommodate cars is mitigated.

It would still be a cause for concern if a socialist agenda had large and unforeseen effects on economic growth as conventionally measured, if only in a polemical context. But the literature on wage-led growth focuses narrowly on aggregate demand, and the pure demand effects of changes in distribution are largely irrelevant -- not because income distribution does not influence aggregate demand or because aggregate demand cannot affect economic growth, but because there are other ways to influence aggregate demand. If a more equal distribution

of income were to reduce aggregate demand, then surely this particular problem should not be seen as a substantial impediment to egalitarian policies. The demand effects of redistribution, whether positive or negative, can be offset by adjustments to aggregate demand policy, as argued above (see Appendix A for a simple formalisation of the argument). In short, a socialist agenda that involves progressive redistribution could have adverse effects on economic growth through other channels (we return to this issue in the next section), but the potential effects on aggregate demand are of little or no importance.[19]

Another strand of contemporary heterodox economic writing, Modern Monetary Theory (MMT), is not inherently left wing but has become popular in left-wing circles frustrated by political obstacles to greater governmental expenditure on social programmes. In its most extreme versions, it suggests that all socially desirable programmes can be done as a 'free lunch'. Kelton (2019), for instance, recommends that 'we simply invest in programs to benefit the non-rich (student-debt forgiveness, free child care and so on) without treating the rich as our piggy bank' since this option 'is clearly better for both groups'. In a similar vein, Tcherneva (2019) argues that the left can 'render the wealthy obsolete — as in, we will stop pretending that we need them to pay for the good society. In a world with a sovereign currency and modern monetary and fiscal institutions, we never really did, and we sure don't now. And the public needs to know it. That's the MMT message.' By suggesting that taxes on the rich may be needed, lefties, she suggests, are 'tethered to the wealthy by an imaginary umbilical cord', holding their 'progressive agenda hostage' to their oppressors. This argument assigns no significance *per se* to the distribution of income and its influence on power relations but leaving aside this issue, any ambitious programme to tackle the disadvantages that confront children from low- and middle-income households is likely to come up against supply-side constraints, even in affluent societies. The constraints are tightened by the need to address urgent environmental problems, including climate change. The neglect or dismissal of supply-side constraints becomes especially dangerous in developing economies. These economies face capital and balance of payments constraints (rather than labour constraints), and it is an illusion to believe that sustainable improvements for low-income groups can be achieved in these economies without sacrificing investment and long-run growth unless there is a

[19] Skott (2017) discusses this and other weaknesses of the wage-led growth literature.

significant curtailment of luxury consumption by the rich (Aboobaker and Ugurlu 2020, Skott 2021, Martins and Skott 2021).

Both MMT and the wage-led growth literature ignore or strongly play down supply-side constraints and focus on aggregate demand. But whereas the wage-led growth literature ignores the fact that aggregate demand problems can be addressed using economic policy, MMT denies the relevance of the distributional struggle and promotes exaggerated beliefs in the ability of government to satisfy all needs and desires.

5. Has socialism already won (intellectually)?

The technological and organisational constraints on the realisation of the nineteenth century vision of a socialist future have been relaxed greatly. But an even stronger statement is possible. The socialist alternative unifies its various aspects around the human-centred Radical Enlightenment principles outlined above, and a focus on human development is in the present-day not only viable, but one that goes 'with the grain' of economic evolution.

It is straightforward to suggest that, at the level of well-being, the case is closed: whether looking at 'hard', objective indices surrounding longevity and health, or more subjective ones concerning trust, conflict and general happiness, the great successes are the social democratic nations that have taken on aspects of the Radical Enlightenment programme (ONS, 2019). The US, for decades having moved in the direction of increasing inequality, has maintained its high ranking in per capita GDP, but in a whole range of other parameters from the provision of medical care to levels of educational attainment and even longevity, has functioned, in comparison to other high-income countries, at a poor or mediocre level (OECD 2020). It may also be noted that the US, touted for much of the twentieth century as the 'land of opportunity', is now ranked below most other OECD countries in calculations of levels of social mobility (Corak 2013; World Economic Forum 2020). Such a finding should be unsurprising in the context of the exceptional gaps in access to living conditions and material resources that children from different social and economic backgrounds in the US face (Save the Children 2020), underlining the absurdity of slogans advocating 'equality of opportunity' without the need to consider 'equality of outcomes'.

Traditional criteria of economic success will not, however, soon disappear. The growth of GDP and 'economic efficiency' should not, of course, be our targets, but a socialist programme would be doomed if, for instance, policy interventions were perceived to destroy the incentives to engage in productive activity, as envisaged by right-wing commentators in the USA who have likened Denmark to failed states like Venezuela (Krugman 2018). In fact, social democracies such as the Nordic countries perform well (better than the US) in measures of median income levels and labour force participation, despite low pecuniary incentives to work (Kleven 2014; Phelps and Crabtree 2013). These outcomes may seem surprising from the perspective of neoliberal ideology and many traditional economic models. Participation rates are high, however, partly because of strong complementarities between women's participation rates and welfare state provisions like childcare and generous maternity leave. The depiction of work as necessarily associated with disutility also fails to recognize that work can be an important source of well-being, especially if jobs are secure and workers have influence on the organization of the workplace, and that unemployment is a source of misery (Wood and Burchell 2018).

Productivity also benefits from an emphasis on human development. In the perspicacious, if premature words of a contemporary of Marx, Dr Lyon Playfair: 'Raw material...is being made available to all...and industry must in future be supported, not by a competition of local advantages, but by a competition of intellects' (Playfair, 1852). In the late 19th century, doubts concerning this proposition were reinforced by the vast amounts of seemingly undifferentiated (i.e. 'unskilled') labour that continued to be used as fodder for farms and factories in all countries, rich and poor, doubts that were reinforced by the persistence, in this period, of poor countries - Sweden, Finland, Japan – that were highly literate. All of these countries, and others like them, have now emerged as rich, so that formal education is now universally viewed as the royal road to economic development (Easterlin, 1981).

Thus, components of a socialist strategy emphasised here, such as formal education, are aspects – even the clichés - of mainstream strategies for economic growth success, though mainstream versions will put less emphasis on or, more likely, will omit the roles of, equality

and household security.[20] These contemporary tendencies can give the illusion that we are already moving along a socialist path. A growth oriented educational programme, however, will be directed at the passing on of employment-related skills, rather than 'wasting time' on communicating an understanding, and a love for, the human cultural heritage, including the arts and literature, but also science, mathematics and logical discourse, as well as other aspects (e.g. a knowledge of history) necessary for citizenship and the exercise of democratic control.

Current tendencies in the direction of the weakening of laissez faire through planning and a pullback from doctrines of unfettered free trade, likewise, will not necessarily be a path to socialist liberation. Using the exemplification given above, the emergence of the revolution in electronics that took place in the US after the Second World War was almost totally dedicated to the production of weapons of death. This example points to more general issues. A focus on economic growth is likely to be complemented with a further set of false contests concerning productivity and competitiveness, as each nation considers the threat that others represent, economically and otherwise. Thus, despite the (partial) compatibility between the trajectory of a Radical Enlightenment-based socialism and more conventional goals attached to growth in GDP, there are real dangers in hooking the socialist wagon to such a star.

A progressive programme must proceed along a path that avoids both utopianism, on the one hand, and a pragmatism that dispenses with core principles, on the other. Socialist strategies, if they are to be taken seriously, cannot be perceived as having been picked out of the air, *de novo*, in an arbitrary, speculative manner. The followers of the TPP in the first part of the twentieth century were mistaken, but they were basing their strategy for socialist development on what they had perceived was the nature of the development of 'real existing capitalism' during the Second Industrial Revolution. In a similar manner here, the general correlation and rough logic of a correspondence between human development and overall economic success gives some reassurance that a focus on human values is viable as an aspect of an economic strategy. But GDP and GDP growth ('economic growth') will prove problematic

[20] The emphasis on programmes for early childhood intervention associated with Nobel Prize-winning economist James Heckman have suggested that such programmes are a successful and efficient method of boosting economic growth (Dickens et al. 2006, Cunha and Heckman 2008, Chetty et al. 2011).

as guideposts to the fulfilment of a progressive agenda, and the viability of a socialist programme does not ensure that it will be implemented.

In fact, as Sam Gindin suggests in a personal letter to one of us (Auerbach), US capitalism could continue on a strategy successfully executed in the 1990s that 'depends on a brain drain from abroad plus a core of strong domestic universities to give it enough of the workers it needs. The rest of the population doesn't need a good education for the work they do servicing the rich and also other workers' (see also Panitch and Gindin, 2012). This strategy may face long-run limitations; the strength embodied in US universities in the present is the result of an 'organic', domestic elevation of the quality of human assets that had taken place in the past, and brain-drain resources from abroad may eventually dissipate. But the Roman Army persisted for hundreds of years, all the while progressively deviating from the recruitment of soldiers of Roman and Italian ethnicity. A successful capitalism (i.e. measured by rates of growth in GDP) might long predominate without in any way converging with progressive, socialist principles.

We are encouraged, however, by some recent developments. US policy debates have shifted dramatically as evidenced by proposed infrastructure bills that include a significant expansion of the social welfare system, one that is not out of line with what has been achieved in many European countries but unprecedented in the US. It should be noted also that our analysis in this paper has affinities with other recent interventions. The excellent and comprehensive socialist programme to be found in Piketty (2020 chapter 17), for instance, covers aspects of worker control of enterprises, progressive taxes on wealth and income, expansion of social welfare provision and expansion of access to, especially higher education.[21] Perhaps the main difference is our emphasis on the crucial importance of early childhood. Education and other policies that affect early childhood development should not be seen as just another aspect of social welfare (Piketty, 2020, p.981). Without a strong focus on this critical stage in human development, programmes designed to generate true democratic rule and to break down class hierarchies may be bound for a failure that will, in the end, reinforce foolish and malicious discourse surrounding intrinsic 'ability' and I.Q. In the absence of a socialist

[21] The affinity may be even greater with Dragsted's (2021) visions of 'Nordic socialism'.

programme with central focus on the reality that the trajectory of skills, behaviour and attitudes likely to be possessed by individuals are well established by the age of seven or eight, existing class hierarchies will largely reproduce themselves.

Appendix A

The prototype model of wage-led growth considers a closed economy without public sector. Both the accumulation rate I/K and the ratio of saving to capital S/K are determined by the same two variables, the output capital ratio u (the utilisation rate) and the profit share π:

$$\frac{I}{K} = f(u, \pi); \quad f_u > 0, f_\pi \geq 0$$

$$\frac{S}{K} = g(u, \pi); \quad g_u > 0, g_\pi \geq 0$$

The profit share is taken as exogenous, and if $g_u \neq f_u$ the equilibrium condition for the goods market (I/K=S/K) defines the utilisation rate as an implicit function of the profit share,

$$u = u(\pi); \qquad u'(\pi) = -\frac{g_\pi - f_\pi}{g_u - f_u}$$

The equilibrium solution for u can be plugged into the investment (or saving) function to get the equilibrium rate of growth

$$\hat{Y} = \hat{K} = \frac{I}{K} - \delta = f(u(\pi), \pi)$$

The economy is wage-led in this model if $f_u u' + f_\pi < 0$.

Despite minor differences, the seminal contributions by Rowthorn (1981), Dutt (1984) and Bhaduri and Marglin (1990) all fit this general framework. The Rowthorn and Dutt specifications, which are nonlinear in u and π, imply that the economy will be wage led as long as the Keynesian stability condition is satisfied ($g_u > f_u$); the Bhaduri-Marglin specification permits profit led outcomes even if the stability condition is satisfied.

Wage-ledness (profit-ledness) has been seen as a strong argument for redistribution in favor of wages (profits). If a public sector is included, however, the equilibrium condition for the goods market is modified:

$$\frac{I}{K} + \frac{G}{K} = \frac{S}{K} + \frac{T}{K}$$

Private saving, moreover, will be affected by taxation. Consumption will now depend on disposable income, and one would also expect consumption to be influenced by wealth, that is, $C = H(W, \Pi, t_w, t_\pi, K + B)$ where W, Π, t_w, t_π and B denote wages, profits, the tax rates on wages and profits, and public debt, and where the consumption function H is linearly homogeneous in wages, profits and wealth. Formally, let

$$\frac{I}{K} = f(u, \pi); \quad f_1 > 0, f_2 \geq 0$$

$$\frac{S}{K} = g(u, \pi, b, t_w, t_\pi); \quad g_1 > 0, g_2 > 0, g_3 > 0, g_4 < 0, g_5 < 0$$

where b denotes the ratio of public debt to the capital stock. Tax revenues are given by

$$\frac{T}{K} = [t_w(1 - \pi) + t_\pi \pi]u$$

If $\gamma = G/K$ and the tax parameters t_w, t_π are policy instruments set by the fiscal authorities, the equilibrium condition now determines the utilisation rate as an implicit function of π, t_w, t_π, γ and b:

$$u = u(\pi, \gamma, t_w, t_\pi, b); \quad u_2 > 0, u_3 < 0, u_4 < 0, u_5 > 0$$

The partial derivative with respect to π cannot be signed without restrictions on the accumulation and saving functions. An expansion of government consumption and an increase in public debt, however, raise aggregate demand, and the utilisation rate unambiguously increases if the Keynesian stability condition is satisfied; analogously, an increase in the tax rates reduces utilisation. The (gross) accumulation rate can be found by substituting the solution for u into the investment function,

$$g + \delta = \frac{I}{K} = f(u(\pi, \gamma, t_w, t_\pi, b), \pi) = F(\pi, \gamma, t_w, t_\pi, b); \quad F_2 > 0, F_3 < 0, F_4 < 0, F_5 > 0$$

If the sign of the partial derivative F_1 were to be positive -- signifying a profit-led economy -- the negative aggregate-demand effect of an egalitarian policy to raise the wage share can be offset by higher government consumption, lower taxes or higher government debt. There is no reason why aggregate demand effects should dictate distributional priorities.

The model can be extended by adding Harrodian dynamics to the investment function and/or feedback effects from the labour market (the employment rate) to investment, saving and taxes. These extensions would not the affect the central point: economic policy can be used

to adjust aggregate demand if the demand effects of distributional change make adjustments desirable.

References

Aboobaker, A. and Ugurlu, E.N. (2020) "Weaknesses of MMT as a guide to development policy". WP 2020-09, Department of Economics, University of Massachusetts Amherst.

Ahlquist, J. (2017) 'Labor Unions, Political Representation, and Economic Inequality'. *Annual Review of Political Science,* 20:409-432

Alchian, A. and Demsetz, H. (1972) 'Production, Information Costs, and Economic Organization'. *American Economic Review,* 62(5) December: 777-95.

Alperovitz, G. (2013) 'Mondragón and the System Problem' 13 November http://www.garalperovitz.com

Auerbach, P. (2016) *Socialist Optimism An Alternative Political Economy for the Twenty-First Century*. Palgrave Macmillan.

Auerbach, P., Desai, M. and Shamsavari, A. (1988) 'The Dialectic of Market and Plan: The Transition from Actually Existing Capitalism'. *New Left Review,* 170 July/August: 61-78.

Becker, G. (1962) 'Investment in Human Capital'. *Journal of Political Economy,* 70(5) part 2 October: 9-49.

Berlin, I. (1969) 'Two Concepts of Liberty'. In *Four Essays On Liberty,* Oxford: Oxford University Press.

Bhaduri, A. and Marglin, S. (1990) 'Unemployment and the real wage: the economic basis for contesting political ideologies'. *Cambridge Journal of Economics*, Vol. 14, No. 4, pp. 375-393.

Boldrin, M. and Levine, D. K. (2013) 'The Case Against Patents'. *Journal of Economic Perspectives,* 27(1) Winter: 3–22.

Braverman, H. (1988) *Labor and Monopoly Capital The Degradation of Work in the Twentieth Century* new edition 1988; originally published 1974, New York: Monthly Review Press.

Calmfors, L., & Driffill, J. (1988) 'Bargaining Structure, Corporatism and Macroeconomic Performance'. *Economic Policy, 3*(6), 14-61.

Card,D., Kluve,J. and Weber, A. (2010) 'Active labour market policy evaluations: a meta analysis'. *Economic Journal*, 120 (November): F452-F477.

Carey, J. (1992) *The Intellectuals and the Masses Pride and Prejudice Among the Literary Intelligentsia, 1880-1939.* London: Faber and Faber.

Chetty, R., Friedman, J. N., Hilger, N., Saez, E., Schanzenbach Whitmore, D., Yagan, D. (2011) 'How Does Your Kindergarten Classroom Affect Your Earnings? Evidence from Project Star'. *Quarterly Journal of Economics,* 126(4) November: 1593-1660.

Chick, M. (1998) *Industrial Policy in Britain, 1945-1951 Economic Planning, Nationalisation and the Labour Governments.* Cambridge: Cambridge University Press.

Corak, M. (2013) 'Income Inequality, Equality of Opportunity, and Intergenerational Mobility'. *Journal of Economic Perspectives,* 27(3): 79–102

Cunha, F., and Heckman, J. J. (2008) 'Formulating, Identifying and Estimating the Technology of Cognitive and Noncognitive Skill Formation'. *Journal of Human Resources* 43(4): 738- 82.

Deutschland.de (2013) 'Social partners in Germany What you should know about co-determination – the key facts'.https://www.deutschland.de/en/topic/business/co-determination-in-german-companies-rules-and-laws.

Devine, P. (2010) *Democracy and Economic Planning* Aspects of Political Economy Polity Press; 1st edition

Dewey, J. (1915) *The School and Society.* BN Publishing n.d.

Dickens, W., Sawhill, I. and Tebbs, J. (2006) 'The Effects of Investing in Early Education on Economic Growth'. *Brookings Institution*

Dragsted, p. (2021) *Nordisk socialisme – på vej mod en demokratisk økonomi*. Copenhagen: Gyldendal.

Dutt, A. K. (1984) 'Stagnation, income distribution and monopoly power'. *Cambridge Journal of Economics*, vol. 8, no. 1, pp. 25-40.

Easterlin, R. (1981) 'Why Isn't the Whole World Developed?' *Journal of Economic History,* 41(1) March: 1-19.

Edemariam, A. (2013) 'I Don't Feel Defensive About What We Do'. *Guardian*, 9 February, pp. 31-2.

EPI (Economic Policy Institute) (2018) 'Policy agenda'. https://www.epi.org/policy/

Feldman H.M. (2019) 'The Importance of Language- Learning Environments to Child Language Outcomes' *Pediatrics*:144(4), http://pediatrics.aappublications.org

Fitzpatrick, S (1994) *Stalin's Peasants Resistance and Survival in the Russian Village After Collectivization.* Oxford: Oxford University Press.

Fogel, R.W. (2004) *The Escape from Hunger and Premature Death 1700-2100 Europe, America, and The Third World.* Cambridge: Cambridge University Press.

Fromm, E. (1976) *To have or to be*? Harper & Row.

Galbraith, J. K. (1967) *The New Industrial State.* New York: Signet Books.

Gough, I. (1991) *A Theory of Human Need* Palgrave Macmillan

Hayek, F.A. (1960) *The Constitution of Liberty.* Routledge and Kegan Paul.

Heinesen, E., Husted, L. and Rosholm, M. (2013) 'The effects of active labour market policies for immigrants receiving social assistance in Denmark'. *IZA Journal of Migration*, 2, Article number: 15

Israel, J. (2001) *Radical Enlightenment.* Oxford: Oxford University Press.

Jaumotte, F. and Buitron, C.O. (2015) 'Inequality and Labor Market Institutions'. *International Monetary Fund* Research Department, July

Kelton, S. (2019) 'The Wealthy Are Victims of Their Own Propaganda', https://www.bloomberg.com/opinion/articles/2019-02-01/rich-must-embrace-deficits-to-escape-taxes.

Kleven, H. J. (2014) 'How Can Scandinavians Tax So Much?' *Journal of Economic Perspectives,* 28 (4) Fall: 77–98

Kornai, J. (1980) *Economics of Shortage.* Elsevier Science Ltd.

Krugman, P. (2018) 'Something Not Rotten in Denmark' *New York Times 16 August* https://www.nytimes.com/2018/08/15/world/europe/trish-regan-fox-denmark-venezuela.html

Kynaston, D. and Green, F. (2019) *Engines of Privilege Britain's Private School Problem*. London: Bloomsbury Publishing.

Lavoie, M. and Stockhammer, E. eds (2013) *Wage-led growth -- an equitable strategy for economic recovery*. ILO and Palgrave Macmillan.

Lécuyer, C. (2006) *Making Silicon Valley* Innovation and the Growth of High Tech, 1930-1970 Cambridge MA: MIT Press.

Lenin, V.I. (1917) *The State and Revolution* Peking: Foreign Language Press 1970

Lerner, A. (1943) 'Functional Finance and the Federal Debt'. *Social Research*, 10(1): 38-51.

Lester, J. (1995) *Too Marvelous for Words* The Life & Genius of Art Tatum Oxford University Press; Reprint edition

Lucas, R. (1988) 'On the Mechanics of Economic Development'. *Journal of Monetary Economics,* 22(1) July: 3-42.

Macdonald, D. (2019) 'Labor Unions and Support for Redistribution in an Era of Inequality'. *Social Science Quarterly,* 100(4) June)

Mackenzie, C. (2016) 'Mary Wollstonecraft: An Early Relational Autonomy Theorist?' in Berges, S. and Coffee, A. (eds.), *The Social and Political Thought of Mary Wollstonecraft* Oxford: Oxford University Press.

Mandel, E. (1986) 'In Defence of Socialist Planning'. *New Left Review,* 159 September-October.

Martins, G.K. and Skott, P. (2021) 'Sources of inflation and the effects of balanced budgets and inflation targeting in developing economies'. *Industrial and Corporate Change*, 30(2): 409-444.

Mazzucato, M. (2013) *The Entrepreneurial State* Debunking *Public vs. Private Myths.* London: Anthem Press.

McCormick, D. (2020) 'America Must Step Up To Retain its Economic Might' US needs to leverage its potential in global power struggle *Financial Times* 17 May

Michnick Golinkoff, R., Hoff, E., Rowe, M., Tamis-LeMonda, C. and Hirsh-Pasek, K. (2018) 'Talking With Children Matters: Defending the 30 Million Word Gap'. Brookings Education plus development 21 May, www.brookings.edu

Mill, J.S. (1870) *The Principles of Political Economy with some of their Applications to Social Philosophy* ed. William James Ashley. London: Longmans, Green and Co., 7th ed.), based on Mill's seventh edition of 1870, oll.libertyfund.org.

Nakatani, T. and Skott, P. (2007) 'Japanese growth and stagnation: A Keynesian perspective'. *Structural Change and Economic Dynamics*, 18(3): 306-332

OECD (2019) Data Hours Worked, https://data.oecd.org/emp/hours-worked.htm

OECD (2020) *Better Life Index* www.oecdbetterlifeindex.org

Office for National Statistics [UK] (2019) 'Measuring National Well-Being: International Comparisons, 2019' ons.gov.uk

Palley, T. (2020) 'What's wrong with Modern Money Theory: macro and political economic restraints on deficit-financed fiscal policy'. *Review of Keynesian Economics*, Vol. 8 No. 4, Winter: 472–493

Panitch, L. and Gindin, S. (2012) *The Making of Global Capitalism The Political Economy of the American Empire.* London: Verso.

Perez-Truglia, R. (2020) 'The Effects of Income Transparency on Well-Being: Evidence from a Natural Experiment'. *American Economic Review,* 110(4): 1019–1054.

Phelps, G. and Crabtree, S. (2013) 'Worldwide, Median Household Income About $10,000' *Gallup* 16 December, https://news.gallup.com/poll/166211/worldwide-median-household-income-000.aspx

Phillips, A. (2004) 'Defending equality of outcome'. *Journal of Political Philosophy*, 12 (1). pp. 1-19.

Piketty, T. (2020) *Capital and Ideology* Cambridge, MA: Belknap Press of Harvard University Press.

Playfair, L. (1852) 'The Chemical Principles involved in the Manufactures of the Exhibition as indicating the Necessity of Industrial Instruction'. In *Lectures on the Results of the Great Exhibition of 1851*, as quoted in Armytage, W.H.G. (1955) *Civic Universities* London: Ayer Publishing, p.195.

Powell, A.G. (1996) *Lessons from Privilege* The American Prep School Tradition Cambridge, MA: Harvard University Press.

Rawls, J. (1999) *A Theory of Justice* Oxford: Oxford University Press Revised edition 1999; original edition 1971.

Reason (2013) 'Germany Bans Managers From Contacting Staff Outside Work Hours Except in Emergencies'. (https://reason.com/2013/08/30/germany-bans-managers-from-contacting-st/)

Rhinehart, L., Windham, L. and Mishel, L. (2020) 'Explaining the erosion of private-sector unions'. Economic Policy Institute, November 18, 2020, https://www.epi.org/unequalpower/publications/private-sector-unions-corporate-legal-erosion/

Romer, P. (1990) 'Endogenous Technical Change' *Journal of Political Economy* 98(5) Part II October: S71-S102.

Roncaglia, A. (2005) *The wealth of ideas*. Cambridge: Cambridge University Press.

Rowthorn, R. (1981) 'Demand, real wages and economic growth'. *Thames Papers in Political Economy*, Autumn.

Ryoo, S. and Skott, P. (2013) 'Public debt and full employment in a stock-flow consistent model of a corporate economy'. *Journal of Post Keynesian Economics*, 35(4: 511-527.

Sandel, M. (2020) *The Tyranny of Merit* What's Become of the Common Good? Allen Lane.

Save the Children (2020) *Global Childhood Report 2020*. www.savethechildren.org › usa › advocacy › global-childhood-report-2020

Sawyer, M. (2003) 'Employer of Last Resort: Could It Deliver Full Employment and Price Stability?' *Journal of Economic Issues*, Vol. 37, No. 4:. 881-907.

Schulten, T. (2001) 'A European solidaristic wage policy?'. *European Journal of Industrial Relations*, 8(2): 173-196

Sen, A. (1983) 'Development: which way now?' *Economic Journal*, 93(Dec): 745-762.

Sen, A. (1999) *Development As Freedom* Oxford: Oxford University Press.

Sherman, E. (2019) 'One in Five U.S. Companies Say China Has Stolen Their Intellectual Property' *Fortune* 1 March

Skott, P. (2016) 'Aggregate demand, functional finance and secular stagnation'. *European Journal of Economics and Economic Policies: Intervention,* Vol. 13(2): 172–188.

Skott, P. (2017) 'Weaknesses of 'wage-led growth". *Review of Keynesian Economics*, Vol. 5 No. 3: 336–359

Skott, P. (2021) 'Fiscal policy and structural transformation in developing economies'. *Structural Change and Economic Dynamics,* 56: 129-140.

Steinmetz, C. P. (1916) *America and the New Epoch* Memphis: General Books.

Teachout, Z. (2020) *Break 'Em Up --Recovering Our Freedom from Big AG, Big Tech, and Big Money.* New York: All Point Books.

Tcherneva, P.R. (2019) 'MMT is already helping'. *Jacobin*. https://jacobinmag.com/2019/02/mmt-modern-monetary-theory-doug-henwood-overton-window

Veblen, T. (1921) *The Engineers and the Price System* New York: Harcourt, Brace & World 1963

Wood, A.J. and Burchell, B. (2018) 'Unemployment and well-being'. In A. Lewis (ed.) *The Cambridge Handbook of Psychology and Economic Behaviour*, Cambridge: Cambridge University Press.

World Economic Forum (2020) *The Global Social Mobility Report 2020 Equality, Opportunity and a New Economic Imperative,*
http://www3.weforum.org/docs/Global_Social_Mobility_Report.pdf

Wray, L.R. (2007) 'The employer of last resort programme: could it work for developing countries?' *ILO* Economic and Labour Market Papers 2007/5

Young, M. (1963) The Rise Of Meritocracy Penguin; 1st Edition.