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GOVERNMENT ECONOMIC ACTIVITY,
NEOLIBERALISM AND CAPITALISM,
MARKETS AND PLANNING, AND SOCIALISM*

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Расширенная аннотация статьи на русском языке²

Капиталистическая мир-система работала вяло после Великой рецессии 2008-2009 годов. Кроме того, мировая гегемония «высокоразвитых капиталистических стран», находящаяся под экономическим, политическим и военным руководством США, продолжала ослабевать, причем ускоренными темпами в течение последнего десятилетия. В ходе всех 2010-х мировая капиталистическая система начала отказываться от процедур и идеологии неолиберализма и разрабатывать новую капиталистическую структуру и соответствующую идеологию, чтобы глубоко трансформировать свои операции, аналогично тому, что она делала в 1930-х и 1970-х годах. Мировая пандемия COVID-2019 еще больше ускорила этот процесс. Одной из важных частей этой трансформации стал процесс отказа от неолиберальной идеологии критики «экономической деятельности правительства» и повторного принятия идеологии, открыто признающей государственную экономическую деятельность любого типа, оцениваемого правительством полезным для капитализма.

Особенно важной частью расширенной экономической деятельности правительства в новой форме капитализма будет расширенное планирование. Капиталистическое государственное планирование состоит в управлении работой капиталистических кругооборотов капитала (либо путем изменения стимулов, либо путем

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² *Перевод расширенной аннотации с англ. яз.:* Абрамсон Иосиф Григорьевич, доктор технических наук, главный научный сотрудник Научно-испытательного центра "Гипроцемент-Наука".

прямого поручения) в соответствии с капиталистической целью извлечения прибыли: саморасширением и накоплением капитала. Учитывая, что цель капиталистического государственного планирования и цель производства самого капитала одинаковы, вопреки идеологическим претензиям неолиберализма, нет никакого противоречия между (капиталистическим) планированием и капитализмом. Кейнсианское управление спросом всегда принималось неолиберализмом, как и кейнсианским капитализмом, хотя у последнего это изменилось по сравнению с более ранним кейнсианским капитализмом и, безусловно, снова изменится при новой форме капитализма. Более поразительным является возвращение к академической и политической респектабельности промышленной политики и стремительное повторное использование ее в новых формах, соответствующих капитализму, которые происходят сегодня.

Что касается выхода за пределы капитализма, планирование всегда было непременным условием социализма, и поэтому социальное признание того, что экономическое планирование естественно, есть положительный шаг в процессе выхода за пределы капитализма. Планирование при социализме направляется и осуществляется обществом с целью поддержки и содействия благосостоянию и развитию человека. Следовательно, существует фундаментальное противоречие между социалистическим планированием и работой капиталистических кругооборотов капитала, поскольку их цели различны. Это относится не только к особо варварским формам капитализма, таким как неолиберализм, но и к его менее агрессивным формам с обширной сетью безопасности и/или значительным перераспределением прибыли, таким как социал-демократия, которая существовала в Северной Европе в 1960-х и 1970-х, и большинство современных моделей, называемых «рыночным социализмом».

Вопреки ложному отождествлению рынка и капитализма со стороны многих сторонников проекта построения социализма в двадцатом веке, почти каждый способ производства на протяжении всей истории требовал рынка для своего функционирования, даже если первичное присвоение прибавочного труда происходило не через рыночный механизм, как в хорошо изученных феодальных и прежних рабовладельческих обществах в некоторых частях Европы. Стандартный капитализм требует, чтобы рынок функционировал для кругооборотов капитала, но существование рынка не подразумевает функционирования капитализма. Пока производство определяется в соответствии с социалистическим планом, нет теоретической причины, по которой рынок не может использоваться в качестве инструмента для осуществления необходимых трансфертов по плану между различными непосредственными производителями во всей социалистической системе производства. Теоретически возможны и любые другие инструменты или системы переводов, которые позволяют выполнить план, например, значительно улучшенная и модернизированная система материальных балансов, основанная на огромных достижениях в области информационных технологий, которые произошли с тех пор, как была разработана примитивная Система материальных балансов в Советском Союзе. Сегодня нет никаких обширных социальных экспериментов по построению социализма, проводимых с такими современными системами материального баланса. Существуют как социальные эксперименты, так и теоретические работы о том, как строить плановую социалистическую экономику, которая использует рынок в ка-

честве инструмента для выполнения некоторых необходимых трансфертов, но это не то, что стал означать термин «рыночный социализм», это, скорее «социализм с рынком».

I. Government economic activity, neoliberalism and capitalism

One of the central pillars of neoliberalism's ideological self-justification has always been its claimed opposition to "government intervention into the economy". Labeling any non-governmental activity that it considers to be "economic" as "markets", it has promoted its mantra "markets are more efficient than the government", not just among professional economists, but throughout society, as if this claim has the validity of the law of gravity.

Scores of books and hundreds of articles have been written debunking neoliberalism's claimed opposition to "government intervention into the economy" by documenting governments (and more broadly also various other parts of the state) around the world massively intervening to save capitalism following the 2008-2009 "Great Recession", and now again with the COVID crisis. In 2020 the US government spent the astronomical amount of "nearly 20 percent of U.S. GDP (...) to keep Wall Street afloat" (Pollin, Epstein, 2021). But less commonly noted, though actually more fundamental than the repeated governmental and state interventions to save capitalism from its crises, is that the daily operation of capitalism, in good times as well as in crises, rests not only on "government and state intervention into the economy", but beyond that, on "governmental and state creation and maintenance of the economy". Property rights in the means of production, which enable capitalists to live off the surplus-labor of workers, are politically established by law, and enforced by state force when necessary. When workers and capitalists have a conflict over how much of what workers create they are entitled to keep, it is determined by the various state court systems – again, backed by state force if necessary. While the specifics of how the laws today maintain the capitalist system differ significantly between countries and greatly from back then, writing in 1776 Adam Smith already noted how the government created and maintained the rules for the daily operation of the system by which the capitalists appropriate part of the product of the workers' labor:

What are the common wages of labour, depends everywhere upon the contract usually made between the two parties, whose interests are by no means the same. ... It is not, however, difficult to foresee which of the two parties must, upon all ordinary occasions, have the advantage in the dispute, and force the other into compliance with their terms. The masters, being fewer in number, can combine much more easily; and the law, besides, authorizes, or at least does not prohibit their combinations, while it prohibits those of workmen. We have no acts of parliament against combining to lower the prices work; but many against combining to raise it (Smith, 1985 (1776): 68).

Neoliberalism's claim that "private markets", by which they mean "capitalist operations", are always more efficient than corresponding government-run programs, simply ignores the reality of a number of very large government programs. As a first example, at \$10,966 dollars per person in 2019, the US half-private healthcare system is more than twice as expensive as many systems in countries with basic public national healthcare systems, such as Japan at \$4,823 or the United Kingdom at \$4,653³ (Peterson-

³ 2019, US dollars, PPP adjusted.

KFF, 2021). In addition to being the most expensive healthcare system in the world, it is widely recognized to produce inferior national health results to many less expensive systems. As a second example, the massive US Social Security system runs with administrative costs of only 0.6 percent of total expenditures (Social Security, 2021), far below the total administration fees plus profits of private social security schemes such as Chile, or mixed public-private schemes with significant private components (Kritzer, 2000).

This short paper will accept that the position, so thoroughly argued and supported in the literature, that neoliberalism's claim that government economic operations are always less efficient than corresponding capitalist ones, is false. There is a final consideration concerning neoliberalism's false ideology that capitalist operations are necessarily more efficient than corresponding government economic activity. The *implication* that is attempted to be conveyed to society with this false claim is that having capitalist operations instead of government economic activity will result in a higher material standard of living. But the reason given to support this implied claim, both in its unrealistic (meaning not corresponding to the real world) formal proofs and in its popular propaganda that "markets are efficient", is that a better standard of living will result from the greater efficiency of capitalist operations. Efficiency, however, is not the key to an improved material standard of living, but rather labor productivity. To be sure, if society is outright wasteful of resources and human labor, for example by producing lots of things that then just sit in storage units and are never consumed, the material standard of living could be improved by a less inefficient allocation of resources to produce more of what people want. But the efficiency gains that can be achieved through more efficiently reallocating resources and labor that are already being employed are extremely secondary in comparison with the actual central driver over time of an improved standard of living, labor productivity. Again, this was clearly indicated already in 1776 in his master work by the same Adam Smith that neoliberals hold as the founder of their economics, but as it was in the second paragraph of the first chapter, perhaps most of them have never actually read quite that far through his work.

According therefore, as [the immediate produce of [the annual labor of every nation], or what is purchased with that produce from other nations]⁴, bears a greater or smaller proportion to the number of those who consume it, the nation will be better or worse supplied with all the necessities and conveniences for which it has occasion (Smith, 1985 (1776): 3).

Labor productivity, which along with economic growth theory was the central concern of Classical Economics, and not allocative efficiency, the central concern of Neoclassical Economics, is key to a population's material standard of living, particularly over any time frame other than the instantaneous. And key to increased labor productivity is economic innovation. There then exists a large literature on the historical centrality of government support and promotion to major economic innovations, as opposed to them coming from private capitalist operations. An example is the work of Mariana Mazzucato, an author recognized for her numerous books and articles on this topic over the last decade, with *The Entrepreneurial State* (2014) being particularly well-known (Mazzucato, 2014).

⁴ Explanatory note by author: the phrases here in square brackets are taken from the preceding paragraph, and are what the replaced words "this produce, or what is purchased with it" refer to, thus presenting the stated intended meaning of the sentence.

Neoliberalism is only a particular form of capitalism. The form of capitalism that dominated the capitalist world from World War II until the end of the 1970s has numerous names in the economic literature, and this work will refer to it by one of the more common ones, which is also widely used outside professional economics circles, “Keynesian capitalism”. It differs from neoliberalism in numerous ways. One central way, and the way relevant to the topic of this section, is that it accepted government interventions into the economy as good, “whenever and in whatever way is appropriate for capitalism”. In regard to what was appropriate for government intervention, there are always differences among different groups of capitalists, in different countries, and at differing times. Does one stimulate demand through fiscal policy or monetary policy? If one uses fiscal policy, does one do it through cutting taxes (and if so, whose taxes?) or through government spending? This paper will refer to these and related sorts of government and state activity as “macroeconomic management”. But beyond that and sometimes less immediately noticed, the government and state determine what legal rights and procedural barriers exist for the formation of unions. They determine what sort of unemployment and social security systems are created. They determine what sort of national infrastructure systems gets built. They determine what sort of educational and healthcare systems (both essential to national economic performance, even when it is narrowly conceived) are created. And scores of similar determinations.

Without forgetting the significant variation among capitalist countries that always exists, the world capitalist-system has a “general and broad nature” to its ideology and practice of government and state interventions in the economy at any time, and that undergoes major changes at times when it finds it appropriate for its interests to do so. Changing from what had preceded the Great Depression, for 30 years after WWII the general ideas of Keynesian capitalism on government intervention into the economy dominated the capitalist world-system – as always, with large variations between countries as to how and to what extent they applied those ideas. Then after 1980, as part of a deep restructuring of the capitalist world-system in the 1970s and 1980s, the general ideas of neoliberalism on government intervention into the economy were adopted by the capitalist world-system, including its false ideological cover of “opposing all governmental economic activity” – again with large variations between countries as to how and to what extent they applied those ideas. The capitalist world-system is presently again entering into a period of deep restructuring. A part of this is the development of a new ideology concerning what relations between various types of possible government economic activities and capitalist activities best serve capitalism. While, as always, capitalist practices will neither be fully consistent with its ideology nor uniform between countries, major changes in government economic activity will, and already have begun to, accompany this change in this aspect of the ideology of the capitalist world-system.

II. The current transformation of the capitalist world-system

Two years ago, in this journal I wrote a piece (Campbell, 2019) on exactly the topic of this section, the transformation of the capitalist world-system. Titled “What is next for neoliberalism”, if I wrote an article on the same topic today, that title would be extended to “The end of neoliberalism: What’s next for the capitalist world-system?” Today the discussions by various components of the world capitalist class make it clear

that over the last two years, starting before the COVID crises but greatly accelerated by it, a process has been developing of the capitalist class deciding that neoliberalism is no longer serving its needs well. Hence as was done in the 1930s and again in the 1970s, when capitalism found itself in a situation that it considered not satisfactory for its goal of capital accumulation and self-reproduction, today capitalism is beginning to attempt to establish a new operational model suited to its current problems.

Given the first topic of this paper indicated in its title, government economic activity, here we will only look at that one very noticeable aspect of the change that is occurring in the world capitalist-system. Notwithstanding that, as indicated in the first section of this paper, neoliberalism's anti-"government economic activity" propaganda and image was thoroughly false, nevertheless the change to openly advocating government economic intervention (when it finds it beneficial for capitalism) is very important and significant. It is a necessary aspect of capitalism's process of gradually abandoning neoliberalism, and trying to develop a new form of capitalism suitable to capitalism's needs in the current world.

The Great Recession of 2008-9 was followed by a publicly promoted panicked splash of expansionary government economic policies in a number of countries around the world. Following that, the capitalist world-system almost universally returned to austerity policies and their accompanying ideological (as always masquerading as "economic") justification. This was often forcefully imposed if a country was not willing, as in the high-visibility example of Greece. But by the middle of the decade a broad discussion had unfolded, even among many mainstream economists, about "secular stagnation", for at least the most developed countries, if not for the entire capitalist world-system. To pick just one paper from among the large number on this very important topic, see "Stagnation and Institutional Structure" by David Kotz and Deepanker Basu, 2019, in the *Radical Review of Political Economy* (Kotz, Basu, 2019).

In response to this prolonged lackluster performance by the capitalist world-system, a proliferation of calls for *more active government intervention into the functioning of the economy*, by a growing number of ideologues and practitioners of capitalism around the world, began in the second half of the last decade. There were of course significant differences among what was called for, but all advocated changes only in ways considered useful for overcoming the state of lethargic capital accumulation.

Just as illustrations, three examples are given here. First, an early example was the breakdown in practice, not complete but very severe, of the World Trade Organization, an institution both very connected to and very symbolic of one aspect of neoliberalism. A second example is the change in the views of German business, still the powerhouse of the huge EU economic block, and long among the strongest champions of the neoliberal dictum of "governments setting the rules and then getting out of the way" (the "minimalist role" for capitalist government economic activity). In January 2019, a paper put out by Germany's biggest business group, the Federation of German Industries, called for dozens of the usual type of government supports for German businesses, and then in February of the same year Germany's minister of the economy joined the French minister of the economy in issuing a 5-page *industrial policy manifesto* "fit for the 21st century"⁵. Finally, a third example is the shift by significant-sized groups on the

⁵ The Economist. 2019. How China has pushed Germany to rethink industrial policy. February 29. Available at <https://www.economist.com/europe/2019/02/21/how-china-has-pushed-germany-to-rethink-industrial-policy> (Accessed: 21.07.2021).

far right from neoliberalism's anti-"government economic activity" to "populism". "Right populism" openly calls for government economic activity that is beneficial for capitalism, even though it presents these activities as "for the people".

III. Markets, Capitalism and Socialism

Any dictionary gives a definition of the word "market" broadly equivalent to "an institution and/or place where goods or services are bought and sold". While the very earliest divisions of labor along gender lines did not immediately give rise to markets, markets have existed throughout recorded human history, much of which is a history of various class-divided systems or modes of production. Some of humanity's earliest recorded writing concerns records of transactions in the well-established markets of Ur, just less than five thousand years ago (Crawford, 1991:167).

The prototype of a capitalist system presented and discussed by Marx and Engels, with the goal of illustrating the central logic of a capitalist system of production, required markets for its circuits of capital. The surplus-labor of the laboring classes, which all ruling classes expropriated in all class societies (and only in capitalism becomes surplus-value), is executed in capitalism through the operation of its circuits of capital. In this sense markets are necessary for both capitalism and capitalist exploitation. But Marx opposed Smith's ideas of profits from exchange with a theory of profit from production. The first five chapters of *Capital* Volume 1 describe the exchange in markets of equivalents, involving no exploitation. Only in chapter six do capitalist profits, and hence exploitation, appear. Marx stresses there that these profits are generated outside of markets, which exchange equivalents. Profits are generated instead through the consumption of purchased labor power, that is, in the act of production, which does not take place in markets (Marx, 1996 (1867)).

Therefore, while capitalism requires and hence implies the existence of markets, for Marx and Engels markets are not *directly* involved in the production of profits and hence exploitation. But further, Marx and Engels never argued anywhere that markets implied capitalism; to do so would have been to argue contrary to the very obvious record of human history.

Almost every system of production throughout history has required markets for its operation, even if the primary appropriation of surplus-labor did not occur through a market mechanism. That includes in particular the well-studied feudal and slave modes of production in Europe. For example, many feudal peasants, beyond making some of the tools and utensils necessary for their primary production, producing their clothing and preparing their food, obtained others through trade in the well-known medieval local fairs, or especially in the many more common smaller market versions of these. One common employment of slaves in Rome was in mining, and food had to be obtained for the slaves in exchange for some of what they produced. These exchanged goods were not produced for circuits of capital to capture surplus-labor and expand capital. These were markets integrated into the core of the reproduction of these systems of production, with the expropriation of surplus-labor from the producers in these systems occurring through the well-known direct mechanisms which were separate from these necessary markets. These were not "capitalist markets", meaning that they were not markets that were necessary parts of the operation of a capitalist mode of production.

These were rather “feudal markets” or “markets for goods in slave societies”⁶, with the analogous meaning for these terms. History demonstrates that the existence of markets does not imply capitalism or capitalist production.

One of the defining characteristics of the socialism⁷ that Marx and Engels saw as replacing capitalism was that social economic production would be consciously and socially planned to support and promote human well-being and development. Che Guevara conveyed this tersely and poetically when he said (translation by author):

... planning is the way of being of a socialist society, its defining category and the point where man’s consciousness manages, finally, to synthesize and direct the economy towards its goal: the full liberation of human beings in the frame of a communist society (Guevara, 1988: 315-6).

Many advocates of socialism in the twentieth century, particularly after the Soviet Union reduced the role of markets to secondary or peripheral importance⁸ in the 1930s, maintained that markets were incompatible with socialism. Two different reasons, often unknowingly mixed together, were used to support this position. The first was that markets implied capitalism. This paper has just argued that history has shown that argument to be factually incorrect. But the fact that markets have been integrally involved in almost all modes of production in history does not preclude that they might be incompatible with socialism, if there is some essential characteristic of socialism that is incompatible with markets. A second argument used often in the twentieth century to argue that markets are incompatible with socialism is that markets are incompatible with planning, which as just argued is a *sine qua non* of socialism. This second argument, which is often implicitly made simply by the using the expression “planning vs. markets”, is addressed in section V below. Section IV will first look at the issue of the compatibility of planning with markets in the different system of production, capitalism.

IV. Planning and Capitalism

In his 1988 *Democracy and Economic Planning*, as part of the section on historical experience with planning, Pat Devine briefly considered four types of capitalist planning: wartime planning, indicative planning, macroeconomic management, and industrial policy (Devine, 1988: chapter 2). This paper is not concerned with any detailed consideration of these as historical experiences, but rather only with their nature as types of capitalist state planning for the two purposes of this section on planning

⁶ The simpler and analogous term “slave markets” obviously cannot be used here since the term is already socially understood to refer to the markets in which slaves were bought and sold.

⁷ In this paper the word “socialism” is used to refer to a non-capitalist system of production envisioned to come after and replace capitalism (which, like capitalism, can vary greatly in many concrete details). An example of such a system is the “lower phase of communism” that Marx gave indications of in the “Critique of the Gotha Program” (Marx, 1989 (1875): 85-7) written in 1872, which Engels and their followers normally referred to as “socialism” from the time of the Erfurt Program in 1890 forward (see for example Kautsky’s (1892) presentation of the theoretical ideas of the Erfurt program, *The Class Struggle*) (Kautsky, 1971 (1892)). The term here specifically does not refer to the capitalist social democratic “welfare states” of Europe after WWII, or any similar capitalist system with a much more generous safety net than neoliberalism or even the American variety of Keynesian capitalism. In addition, the goal of economic activity of most of the theoretical models of so-called “market-socialism” of the second half of the twentieth century is also to obtain profits which then are somewhat redistributed, and as such “market-socialism” is not socialist in the sense the word is intended to be understood in this work.

⁸ With the development over time of the System of Material Balances.

and capitalism. First, relative to the issue of using markets in a planned socialist economy to be addressed in the next section, this section will establish on the basis of history that the trope “planning vs. markets”, used by many advocates of socialism in the twentieth century in order to claim that markets are fundamentally incompatible with socialism *because* they are fundamentally incompatible with planning, is not valid. Second, relative to the issue of capitalism’s current metamorphosis from neoliberalism into some new form of capitalism, it will be argued here that macroeconomic management and industrial policy, two central aspects of capitalism’s increased openly-acknowledged government economic activity, which is one important part of that transformation, are two forms of planning that are being dramatically increased and strengthened.

The importance of Devine’s overview of the planning of the British economy during WWII is important to this paper in that it establishes the compatibility of markets and planning, even when the planning is “to an extent greater than ever before or since and greater than the economy of any other capitalist democracy” (p. 29). Considering the US war economy, extensively planned though less so than the British, would have given an additional insight into how compatible planning can be, not only with markets, but even with capitalism; during WWII US capital obtained the highest rates of profit it achieved at any time in the twentieth (or twenty-first) century. Because the conditions of the time were of course very special in numerous ways, what was done then has no relation to the changes in the government activity of planning that are occurring today as capitalism transforms itself from neoliberalism. Therefore, beyond clearly demonstrating the compatibility of planning and markets even with this strongest form of capitalist planning, this type of planning will not be referred to further in this paper.

Indicative planning operates simply through changing the expectations of those who make the direct decisions on what to produce, above all through providing information such as what the government or some planning agency sees as what some country needs to, or should, do in order to achieve healthy economic growth and development. Industrial policy, to the contrary, actually changes the incentives that producers face, very often through government actions that establish attractive profit potentials (or restrict existing profit potentials) for them, but possibly also through legal restrictions. The most extensive and famous example of indicative planning was French Indicative Planning after WWII. Although it indeed relied extensively on indicative planning (including extensive appeals to French capitalists to take specific actions “to restore France” on the basis of their patriotism), it nevertheless is actually somewhat misnamed. Its success, especially of the second and third plans⁹ from 1953 to 1961, resulted exactly from its going beyond pure indicative planning to incorporate elements of industrial policy. Similarly, subsequent plans became less and less effective exactly because, as they became more and more reduced toward being only indicative planning, French capitalists paid less and less attention to them in their decision making (Estrin, Holmes, 1883: 62-69). Indicative planning’s only role in the changes in the government activity of planning that are occurring today as capitalism transforms itself from neoliberalism is as an element of secondary importance, sometime tacked on to particular cases of industrial policy. While indicative planning again underlines

⁹ The first plan from 1946-1953 was also very effective, but its nature was more similar to central planning than the indicative planning of later plans, and so is not included here in this short discussion on indicative planning.

the general compatibility of planning and markets, this type of planning will also not be further referred to in this paper.

The final two types of planning of capitalist economies that will be discussed here, macroeconomic management and industrial policy, not only both demonstrate the general compatibility of planning and markets, but they have also been much more used in the whole period since WWII than either of the first two types. Of crucial importance for today, their recent extensive and increased use has already shown itself to be one important part of the nature of the metamorphosis that capitalism is trying to work out.

The most dramatic and large-scale uses of macroeconomic management since WWII have been the two recent rescue operations of capitalism in 2008-9 and today. These actually go beyond just underlining that planning and markets are not incompatible. They also highlight that because of the inherent instability of capitalism, short-term planning to get out of crises is *required* as a companion “back-up option” for the system of capitalism with its markets, so that it is able to continue to reproduce itself over time. But macroeconomic demand management has operated since WWII on a daily basis as well, even though the shift from Keynesian capitalism to neoliberalism meant a shift in how macroeconomic management was executed. In general, the use of increased government spending (other than military) to confront a slowdown was greatly reduced; and replaced by monetary and interest rate adjustment policies, and reductions in taxes (in the US particularly for the rich). Other major changes in macroeconomic management consisted of fundamental ways in which some fiscal and monetary policies were executed. Two examples are the major expansions of government debt to cut taxes when they felt politically unable to cut the welfare-supporting spending that they wanted to cut, and the massive new “quantitative easing” procedures for controlling the interest rates when operations through government bond markets no longer worked. Macroeconomic demand management has been a centrally important permanent aspect of government economic activity since WWII, through neoliberalism as well as in Keynesian capitalism.

The rejection of neoliberalism’s mantra of “only markets and not governments can pick winners”, and the return to formidable academic and political respectability of industrial policy, came out of neoliberalism’s disastrous Great Recession, the lesson that massive government intervention was needed to repair the economics (with those that intervened most generally having the fastest recoveries), and the lesson that the world was drawing from decades of China’s world-leading economic growth and development directed by a very strong industrial policy. In 2018 the United Nations Conference on Trade and Development (UNCTAD) rather inconspicuously inserted into chapter 4 of its yearly World Investment Report a report on the recent growth in the use of industrial policies, their modern themes, their modern models, etc. It opens with an indication of how strong this growth has been since the Great Recession:

Industrial policies have become ubiquitous. UNCTAD’s global survey of industrial policies shows that, over the past five years alone, at least 84 countries – both developed and developing, accounting for about 90 per cent of global GDP – have adopted formal industrial development strategies (UNCTAD, 2018: 126¹⁰).

¹⁰ UNCTAD (United Nations Conference on Trade and Development). 2018. World Investment Report 2018. Geneva: United Nations Publications. Available at https://unctad.org/system/files/official-document/wir2018_en.pdf (Accessed: 21.07.2021)

The need since then for a planned economic response to, and recovery from, the COVID pandemic has further greatly accelerated the international development of industrial policies. On June 23, 2021, UNCTAD ran an hour and a half panel by a collection of leading academic authorities on industrial policy¹¹ as a pre-event to the October 3–7 UNCTAD 15 meetings, in which under the title “Is Industrial Policy the Key to Building Back Better?” they discussed in depth the role of industrial policy in today’s COVID world (UNCTAD 2021¹²).

V. Socialism, Planning and Markets

It has been argued above that planning production to support and promote human well-being and development is a *sine qua non* of socialism. The argument by some of those who share this view, but then argue that it implies that markets are incompatible with socialism *because* markets are incompatible with planning, was also rejected above on the basis of historical evidence that markets are not necessarily incompatible with planning. However, because capitalist circuits of capital imply production for the purpose of obtaining profits and the self-expansion of capital, almost any system of planning is incompatible with circuits of capital, with the exception of when the goal of that planning is to promote capitalist profits. For any other goal of planning, such as the just mentioned goal of socialist planning, planning and circuits of capital will conflict because they would have two different goals for production.

Marx and Engels argued strongly and repeatedly that socialism required a consciously and socially planned economy. But nowhere did they argue that the numerous transfers that need to take place between producers of one good and producers of other goods could not occur through markets. Note here that this question of transfers of goods between different people and production units is not just, or even primarily, about final consumption, but rather so that all producers can receive the intermediate inputs they need so that they can carry out the step in the social value chain that their production is part of.

However, Marx and Engels also did not argue that markets were necessary for socialist planning and socialism; they simply did not address the issue of what the procedures should or could be for the necessary social planning. The author of this paper believes that with today’s information technology, a non-market system of the general type of the model most fully worked by W. Paul Cockshott and Allin Cottrell (1993) (Cockshott, Cottrell, 1993), something of a modern extension of the Soviet System of Material Balances, also could work. Right now there are numerous social experiments whose authors maintain that they are trying to build socialism with the use of markets. There are no social experiment’s whose authors are attempting to use a modern version of the System of Material Balances to build socialism. This is why this author has not concerned himself with the latter approach in this paper or elsewhere, despite believing that it is theoretically possible.

This author maintains that a central defining characteristic of socialism is that the state, as the representative of, and popularly controlled by, the people collectively,

¹¹ In order presented; Richard Kozul-Wright, Jayati Ghosh, Ha-Joon Chang, Arkebe Oqubay, Mariana Mazzucato, José Antonio Ocampo, and Robert Pollin.

¹² UNCTAD (United Nations Conference on Trade and Development). 2021. Is Industrial Policy the Key to Building Back Better? Available at <https://www.youtube.com/watch?v=ZQE6y-OZFA> (Accessed: 21.07.2021).

plans production with the goal of supporting and promoting human well-being and development. The structure and instruments that the state uses to plan and execute its plans are irrelevant, as long as production is socially planned and executed for human development. History has shown that it is possible to direct markets to fulfill a planned goal.

VI. Conclusion

The capitalist world-system has performed lethargically since the Great Recession of 2008-9. In addition, the world hegemony of “the highly developed capitalist countries”, themselves under the economic, political and military leadership of the US, has continued to erode, and at an accelerate pace over the last decade. Over the twenty-teens the world capitalist-system began to abandon the procedures and ideology of neoliberalism, and to develop a new capitalist structure and corresponding ideology to deeply transform its operations, analogous to what it did in the nineteen-thirties and nineteen-seventies. The world COVID pandemic from 2019 forward has further accelerated this process. One important part of that transformation has been a process of rejecting neoliberalism’s anti-“government economic activity” ideology, and of re-embracing an ideology that openly acknowledges government economic activity of whatever type it finds useful for capitalism.

A particularly important part of the expanded government economic activity in the new form of capitalism will be expanded planning. Capitalist state planning consists of directing the operation of capitalism’s circuits of capital (either through shifting incentives, or by directly mandating) consistent with capital’s goal of profits; the self-expansion and accumulation of capital. Given that the goal of capitalist state planning and the goal of production of capital itself are the same, contrary to the ideological claims of neoliberalism there is no contradiction between (capitalist) planning and capitalism. Keynesian demand management was used throughout neoliberalism as well as in Keynesian capitalism, though how it was done changed then from the earlier Keynesian capitalism, and will certainly change again under the new form of capitalism. More striking is the return to academic and political respectability of industrial policy, and the exploding re-employment of it in capitalism-appropriate new forms that is occurring today.

In regard to transcending capitalism, planning has always been a *sine qua non* of socialism, and so the social re-acceptance that economic planning is appropriate is a positive step in the process of moving beyond capitalism. Planning under socialism is socially conducted and executed, with the goal of supporting and promoting human well-being and development. Hence there is a fundamental contraction between socialist planning and the operation of capitalism’s circuits of capital, since their goals are different. This holds not just for particularly barbaric forms of capitalism such as neoliberalism, but also for its less aggressive forms with an extensive safety net and/or significant amounts of redistribution of profits, such as social democracy even as it existed in northern Europe in the 1960s and 1970s, and for most of the models today that are called “market socialism”.

Contrary to the false identification of markets and capitalism by many supporters of the project of building socialism in the twentieth century¹³, almost every mode of

¹³ Including the common unreflected-on use by many socialists of capitalism’s incorrect and ideological use of the term “a market economy” as a synonym for capitalism.

production throughout history has *required* markets for its operation, even if the primary appropriation of surplus-labor did not occur through a market mechanism, as in the well-studied feudal and prior slave-based societies in parts of Europe. Standard capitalism requires markets for its circuits of capital to function, but the existence of markets does not imply the operation of capitalism. As long as production is determined according to a socialist plan, there is no theoretical reason that markets cannot be used as a tool for executing the plan's necessary transfers between the different direct producers in the entire socialist system of production. Any other tools or systems of transfers that enable the execution of the plan are also theoretically possible, such as a greatly improved and modernized system of material balances based on the tremendous advances in information technology that have occurred since the primitive System of Material Balances was designed in the Soviet Union. Today there are no extensive social experiments in building socialism taking place with such modern systems of material balances. There are both social experiments and theoretical work on how to build a planned socialist economy that uses markets as a tool to execute some of its necessary transfers, not what the term "market socialism" has come to mean, but rather "socialism with markets".

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