

MARKET VERSUS PLANNING

THE CASE FOR TRANSFORMATIVE LEFT ECONOMICS

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The Progressive Economy Forum put together a panel for The [World Transformed festival](#), held in Brighton in September 2021, to discuss ‘bold new proposals and policies’ that the left should be making in these unprecedented times and how can we win them here in Britain. Carolina Alves’ talk, published here, makes the case for a thorough rejection of market-centred economic theory and practice in favour of public investment and planning.

The background to our discussion, of course, is both the environmental breakdown and a global pandemic, and so the need for a radical overhaul of our economic system has never been more apparent. One of the recurrent criticisms that we see when crises happen is related to the inability of experts and intellectuals to provide both a good explanation for why crises occur and to offer the policies to solve them. The location of this supposed intellectual deficiency varies from crisis to crisis. For example, in the Global Financial Crisis 2007-8, the primary focus was on the role of finance; in the pandemic, we have perhaps a handful of different focuses, the role of the global value chain, the role of the publicly funded health system, the role of state among others. In each case, presumed experts, intellectuals and specialists appear to have been found wanting.

But perhaps, as economist Ben Fine commented after the Global Financial Crisis, the intellectual deficiency “[runs deeper and wider](#)” than these immediate impressions. In a truly global economic crisis, there is a need to look beyond the most immediate problems and seemingly obvious causes, taking in the provision of work, industrial and housing policies, changes in the labour market, and the implications of globalisation: in short, the whole spectrum of potential economic failure that neoliberalism, the governing ideology of the last few decades, would tend to see only as spaces where markets could be introduced – not as sites themselves of market failure. This deeper view takes us into a debate and discussion over the debilitating influence of neoliberalism and, therefore, the ever-present dichotomy between state and markets.

No wonder why in this context, policy suggestions and alternatives tend towards a revival of Keynesian or interventionist approaches: to use government to restructure economies for the common good, implement a policy for full employment and even intervene directly in the running of corporations. See the brilliant PEF-edited book "[The Return of the State](#)" for a sample of these policy suggestions and alternatives.

Although I do agree with the view that the intellectual deficiency "runs deeper and wider", I would like to take our attention to two points I hope it can help to contribute to building the path towards bold and new proposals and policies the left should be making.

The first one is about the discipline of economics and its pro-market approach. Economists like to emphasise how they have nothing to do with neoliberal policies, and that the mainstream theory is simply a neutral account of how an economy functions. However, I would like to highlight how modern economics is biased towards a market-oriented approach regarding how the 'economy' should be organised. Most of current economics teaching and research take market equilibrium and human rationality as their starting points. Within this understanding, human interactions are thought to happen mainly through the market, and markets are theorised as being about the mutual interactions of demand and supply, with equilibrium as a central concept. As a direct result, the market is presented as the most efficient allocation mechanism available to society. This theoretical orientation also had implications for how the discipline came to view the state and paved the way for presenting a market version of "[contractarianism](#)" (as exemplified by Robert Nozick or James M. Buchanan) to justify a minimal state whose actions are limited to necessities, such as law enforcement and providing national defence.

In this sense, we have to hold the economics profession accountable for providing us with a narrow view that equates the 'economic sphere' (and society) to markets, which in turn has had a strong influence on public policy over the past half-century. This is not about criticising economists for their neoliberal policy views, but looking deeper instead to the belief in market primacy that is at the heart of modern economic theory. Suppose, instead, we do not address this market primacy at a theoretical and methodological level and keep focusing on criticising economists for being neoliberals. In that case, it is very easy for them to get away from any kind of accountability related to such market biases. A perfect recent example is provided by Suresh Naidu, Dani Rodrik, and Gabriel Zucman's "[Economics After Neoliberalism](#)".

The "New Public Management"

The second point I would like to take our attention to is welfare and social provisioning. It is possible to track back with evidence how the belief in market primacy lies behind much of the weakening of the state that occurred in Europe and the US in the 1980s, which led in turn to increased participation of the private sector in health care, education, and housing. Market precepts and axioms have heavily influenced the development of the [New Public Management](#) (NPM) paradigm in public policy, both in terms of its reliance on market mechanisms and rational choice theory. NPM includes policies of managerialism, marketisation, privatisation, and public-private partnerships. The paradigm gained traction under Reagan and Thatcher in the 1980s but has since increasingly become a global phenomenon. Despite its market-centric approach, it has

been broadly supported by all major political parties in Anglo-Saxon and European countries, from across the political spectrum.

The NPM paradigm, which is a child of economics' bias towards markets as an efficient allocator of resources, led to two key trends that weakened the structures of economies and their capacities to engage in social provisioning across the world. The first is the vilification of the state alongside a celebration of market efficiency, which has resulted in a lack of resilience in the organisation of social provisioning, from healthcare to social security. The second and more recent one is the austerity that has driven government deficit reductions, spending cuts, and attempts to dismantle social welfare systems worldwide.

Now, this criticism is not new, but I would like to add an observation. The market lenses economists wear all the time make us less creative not only in thinking about alternatives but also in our diagnosis of the problem. What I mean here is that the market bias, i.e., this market primacy, creates an assessment or judgement for the economist where a form of behaviour is assumed to be *rational* and *commendable* within this market approach – an economic norm, let's say, as [argued](#) by economist Barbara Wootton already in 1938. This economic norm not only leads economists to support policies that ensure the unfettered operation of competitive markets (dissuading economists from endorsing policies that involve regulation or redistribution or any other intervention in the free operation of competitive markets), but also curtails and stops economists from thinking about the possibilities of a planned economy not guided by market mechanisms and prices movement. What is more, economists' critique of planned economy is made through a market lens, and so criticism of a non-market economics is more likely to be a normative defence of the validity of the market mechanism than a reasoned criticism. Still echoing debates from over eighty years ago, it is argued that economic planning would fail to provide a solution for any existing issues.

On the contrary, opposition to planning rests upon the belief that it is definitely retrogressive; that it frankly substitutes the irrational for the rational, the darkness for the light (Wootton, 1932, p. 159)

Even when pushing for welfare and social provisioning, we usually have a discussion that does not consider the necessity of state intervention in which this welfare state plays an active role in ensuring both social betterment and tackling poverty and inequality – or, dare we say, ensuring the functioning of the capitalism system. Instead, the starting point is typically one in which state intervention is only necessary to compensate for 'market failure'. Even during a crisis such as the pandemic, we have not been able to move anyway from a conception of the welfare state that is not associated with standard approaches to welfare economics, which we consider market failure and efficient outcomes as supported by a free-market economy.

Where is our theoretical analysis (and policy conclusion) combining a theory of the state, and economic and sociological theories, allowing room for developing a specific analysis of the welfare state apparatus? In my view, we need to theorise a more general form of the welfare state in capitalism, in which social policies are a structural necessity for the capitalism system, which then manifest themselves as particular instances of social provision due to specific historical circumstances. I cannot stress how important this point is. Yes, we are nostalgic for a

welfare state; we are in need of a welfare state as we saw in the post-World War II era; and yes, the pandemic has made this need even clearer. However, both the 2007-8 GFC and the pandemic are particular instances, that is, specific historical circumstances. They should not drive the need and the conceptualisation of a welfare state and social provisioning within a mode of organising society that has over and over shown itself full of contradictions and crisis – the need for a welfare state should be the starting point, rather than a reactive conclusion.

In sum, a path towards ‘bold new proposals and policies’ for our current time needs to be built holding economists accountable for their free market bias, and moving away from a belief in market primacy. The latter not only stops us from thinking creatively about solutions for the pressing issues we face, but also makes us hostile to solutions involving planning.

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About PEF

The Progressive Economy Forum (PEF) was founded and launched in May 2018. It brings together a Council of distinguished economists and academics to develop a progressive and sustainable macroeconomic programme and to foster wider public engagement with economics. It opposes and seeks to replace the current dominant economic narrative based on austerity.

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