

REVISITING PLANNING AND HOW IT REPLACES THE MARKET.

The goal of planning is simple, but its execution is complex. This means most people who discuss or try to describe planning do not understand it. In this article I will try to pull my fragmented discussion on the topic together. I would rather not repeat myself so I hope the reader will investigate these articles.

Here are some of my writings on the subject over the years.

- a) This article explains [why co-ops disrupt planning](#) in a collective society.
- b) This article explains [what has to be put in place](#) to make planning possible.
- c) This is one of the articles, in its later sections, which explains why [money and labour vouchers cannot cohabit](#).
- d) This is one of the more important articles which discusses [universal labour time](#) as the metronome of planning and why investment must originate from the social fund not from local production plant funds.
- e) And of course there is [my pamphlet](#) where I analyze planning in the USSR and its failures.
- f) Finally my programme which [highlights the democracy](#) needed to plan the social fund.

The are two areas of planning not one.

There is planning for individual preference and there is planning for the collective effort and will. Unless this demarcation is understood in advance, all talk of planning is rendered obsolete and irrelevant. I have called the first form of planning – *consumer led planning* to satisfy individual need. Workers give of their labour and are rewarded by the products of their choice. This unites effort with reward something violated in the USSR. It is a sacred right which must not be interfered with.

The second form of planning is based around organizing the 'common', or as I describe it, the social fund*. While workers receive back in proportion to their contribution to production, some of their contribution has to be set aside to resource the social fund which covers new investment, necessary improvements, health care, education, sick pay, pensions, childcare, administering society and insurance to cover unforeseen events and accidents amongst other things. It is here where committees and panels of experts are found, investigating and discussing what is needed and the order of its allocation, thereby ensuring society can make the informed decisions needed to set budgets based on priorities. It is this fund which covers necessities as well as the potential to uplift and transform society.

The immaturity of the left today is highlighted by their insistence that committees and experts determine what workers will be consuming in the realm of individual choice. What an imposition! Nothing is allowed to stand between what a worker produces and what they consume, this is the cardinal lesson to be drawn from the failure of the USSR. Imagine what would happen today were workers to be told how and where they can spend their hard earned wage or salary. Anyone who proposed that would be given short-shrift and their tables overturned. No, a thousand times no, these committees and experts only reside in the sphere of organizing and executing the social fund.

There is a further consideration. Consumer led planning is the overarching form of planning. Once the size and scope of the social fund has been determined, it has to be executed by workers while its beneficiaries will be mainly workers, in this case sick workers, would be workers and retired workers to mention a few categories. They too will be engaged in consumer led planning, that is allocating their income to their choice of product.

This does not mean that society consumes everything it produces. There will be elements that do not enter into immediate consumption. To name a few. Additional investments into production. Improvements which includes repairing the planet. The setting aside and storage of products needed to cover insurance and emergencies. But other than that, the bulk of the social fund will be consumed individually by its recipients. If we were to assume that new investments, improvements and insurance adds up to 10% of the social product then it goes without saying that consumer led planning will embrace 90% of the social product.

The market vs the plan.

The market is reactive, the plan is proactive, the market therefore looks through the rear view mirror while planning looks through the windscreen. More fundamentally the market is based on indirect communication via the movement of prices, or what is called 'price discovery', while planning is based on direct communication between consumers and planners. This being so any talk of combining the market and the planning, or market socialism, is like inventing a three legged animal, which nature has never done because the third leg, i.e. the market, would simply get in the way tripping up the animal. Who needs dated and indirect communication when one has real time direct communication.

So why oh why do academics talk about market socialism? This is not an intellectual postulate simply a defensive reflex or an act of intellectual cowardice. They are intimidated by what went wrong in the Soviet Union and the resulting assault on all things planning. Shameful.

Price discovery is the nexus formed by the triangulation of demand and supply and the rate of profit. This is the price where it remains profitable to produce a product. In other words demand and supply by itself does not provide the answer, the answer requires adding in profitability. Thus far from the neo-liberals claiming that it is utility or use which determines what is produced and in what quantities, it is actually the amount of profit that product realizes which is the final determinant, and profit as we know, is not thing but social, being the fetishized form of surplus value.

Getting back to the point. Price discovery as I have pointed out in my various articles, some of which are listed above, cannot be determined in advance, simply because demand is an unknown quantity as it is price variable. For this reason the chase after 'equilibrium' prices always results in production undershooting or overshooting resulting in wasteful production. More, because no price is an island, changes in the rest of the economy regarding new products, new techniques of production, changing consumer habits and above all the business cycle tends to make prices ricochet all over the place despite the monopolies doing there best to prevent this. Thus price discovery is more of a chase than a conquest.

On the other hand planning involves direct communication. Consumers knowing what their 'income' is and what products cost in real time, can decide what they are going to consume and in what quantities. They then relay these orders to the planning bodies who aggregate them to form the plan. In this sense the consumers are the active agents while the planners are passive, exactly the opposite to what happened in the Soviet Union. Of course the technical means of communicating these orders has already been solved by capitalism in the form of the internet. Taking all of this into account, how can the market add anything? It cannot. It will just get in the way like a third leg.

There is another advantage to consumer led planning. It frees the planners from the responsibility of deciding **what** to produce. It gets rid of endless meetings, endless confusion and endless conflict, which

would otherwise consume much of their time. Now all the planners have to do is get on with deciding **how** best to produce these products.

Planning is the conscious allocation of the labour time of society.

Ahh, the words slip off the tongue. But how do we measure labour time. Before we can allocate labour time we have to have a standard of labour.

To determine this standard as I have shown, three variables have to be taken into account – intensity, skill and productivity. But here is the rub as any mathematician would immediately declare, it is impossible to solve for three variables. In reality however, there are only two variables, skill and productivity.

Intensity of labour can and must be reduced to 1 despite the fact that workers differ in strength and structure thus expending different quanta of labour power for the same intensity of expenditure. We are all born physically different, and we are separated by gender and age. What this means is that individual workers expend more or less labour while working equally hard. For example an average male possesses 10kg more muscle and can produce 40% more energy than an average female. If they work equally hard then that male in the same time can expend 40% more labour than that female, or what is the same thing, produce 40% more pieces of whatever.

This is consequential for capitalism, where the exploiter owns the output of the labourer. Thus a capitalist with a gang of above average strength males in the sphere of physical production will earn more money than a capitalist with a gang of below average weaker strength males because the socially necessary labour time for that sphere of production will be set by the average. In short, the employer benefits or loses by the strength and endurance of his or her workers.

This no longer applies to communism and planning because labour is no longer alienated. In a communist society the capacity to work, that is their variation, will be used to adjust for differences in intensity or output. An example will suffice. Let us assume a man can produce 20% more labour on average while a woman produces 20% less giving us that 40% differential. In this case the male's capacity coefficient will be set at around 83% and the woman's at around 124%. This will ensure that each of their outputs will be costed at 1 ($80\% \times 124\% = 100\%$ or 1 and $120\% \times 83\%$ also = 100% or 1). With all workers working equally hard, no worker will therefore be punished nor rewarded above or below the average. Both the female and the male worker will have one hour registered on their labour voucher. Don't worry, all these coefficients will cancel each other out over the economy as a whole so the cost of this labour will always equal the physical hours expended leaving the cost of the output unaffected when measured by physical hours.

There is an additional advantage. The planners will now know how to measure the physical expenditure of labour from any combination of workers, because they will be in possession of all the capacity coefficients of the workers involved. They will also be safe in the knowledge that workers who have collectively set the pace of work will adhere to it making their output predictable. If one group of workers have below average capacities the planners are now able to take into account this difference and vice versa thus homogenizing outputs.

Fortunately, physical strength is playing a diminishing role in production. An analysis of employment agencies shows that job descriptions relying solely on physical attributes are now becoming marginalized.

Power tools, power steering, forklift trucks, the assembly line, robot assistance and the sub-machine gun are great equalizers voiding differences in strength.

The same cannot be said for skill. Marx in his Critique of the Gotha Programme may have dealt incorrectly with manual labour, aka, intensity, but he dealt correctly with intellectual labour. This is one of the great schisms in the working class - the division between manual and intellectual labour - created by capitalism to reduce their cost prices by condemning the mass of workers to lower paid unskilled and semi-skilled work while elevating only a minority of workers to skilled positions in order to maintain the integrity of the labour process following its fragmentation into a maximum number of simple tasks. And as capitalism develops and with it the technique of production rises, so the gap between intellectual and manual labour grows.

Thus there is no way to void skills as one could and would physical differences, because the former is social the other accidental. Skilled workers by definition are those who have spent more time in education, training or on site supervision. Thus their labour embodies the labour of their tutors and trainers. That is why we have to distinguish between physical and '*compound*' or economic hours, where the former excludes skill while the latter embodies it.

How do we arrive at economic hours? Exactly the opposite way to the way we evaluate intensity. In the case of intensity we use coefficients to smooth effort, but with skill coefficients we use it to customize contribution. Thus unskilled labour requiring no more than a school education would be set at 100%. Someone with a science, engineering, or computing degree could be set at 150%. In the case of the unskilled worker their physical hours and economic hours would be the same. Inscribed on their labour voucher would be one economic hour. On the other hand the more skilled worker with a degree will find that each physical hour worked yields 1.5 economic hours. If they work for six hours they will earn 9 economic hours on their voucher., economic hours being the operative hours, the remuneration hours, and therefore the costing hours.

Now it must be emphasized that it is economic hours not physical hours which will determine the actual costs of production. If we were to assume that the average differential between physical hours and economic hours is 50%, and if the total physical hours worked amounts to one trillion, then the economic hours would amount to one and a half trillion. It is the latter figure which will cost the entirety of production, and which will pass over to the sphere of consumption. In other words, total labour vouchers will amount to 1.5 trillion hours, the total cost of production will amount to 1.5 trillion and the total prices of the goods for consumption will amount to 1.5 trillion, everything else being equal. Thus symmetry between the production, income and expenditure side so to speak.

Or to put it in terms of a standard. I have given the term universal labour time which embodies homogenized intensity, differential skill and weighted labour times the acronym UNILAT. If this term is accepted then the total UNILATS appearing on vouchers would be 1.5 trillion, the total cost of production would amount to 1.5 trillion UNILATS and the articles of consumption, both productive and unproductive, would also be priced at 1.5 trillion UNILATS.

Now of course I have been attacked for daring to suggest that skilled workers contribute more to production than unskilled workers implying they will receive back more. I have answered this criticism at length in my various articles. Suffice to say that my critics do not realize they are being neo-Ricardians because they are basing contribution on the use value of the labour expended not on its social qualities.

Thus a toilet cleaner and rubbish collector should be paid more than a professor because without them there would be plague and damnation.

It is true of course that the labour market widens the gap in remuneration. There is no shortage of unskilled labour but there is often a shortage of skilled workers. Thus wages are driven down at the bottom and up at the top. The proof for this is found through unionization, because in unionized workplaces wage differentials tend to reduce due to the wages of unskilled workers being improved.

Our concern is otherwise. As Marx pointed out in his Critique, workers can only be united by means of equal rights not unequal rights. Rewarding a worker for more than their contribution, as my critics would want, implies an unequal right which would turn worker against worker and require an enforcer. Politically our journey towards a successful revolution depends on maintaining class unity and preserving the means of production. Those who call for rewarding labour based on its utility are not only wrong they are dangerous because they threaten this unity.

Finally productivity. Hitherto we have addressed the issue of intensity and skill on the income side, which is where they belong. Productivity on the other hand can only be taken on the output side. The failure to do so has been the undoing of revolutions and revolutionaries. Consider why. If we offered bonuses to workers to work more productively, that is to reward them on the income side, the following would happen. They would begin to work in a sectional or individualistic way. Yes they would work harder, but they would also misuse materials, fail to spend down time looking after their equipment and generally pass on inferior products because reward is now based on the number of pieces they produce, aka it amounts to piece rate remuneration. I am not making this up, this is exactly what happened in the Soviet Union whose most grotesque example was the Stakhanovite movement. Instead of reducing costs and prices this movement ended up raising them because production became increasingly wasteful.

And of course paying bonuses on the income side would unbalance the production and consumption side. If bonuses increased income by say 10% then the voucher side would increase to 1.65 trillion UNILATS while the price of the goods on the consumption side would remain 1.5 trillion. What will happen to these excess vouchers? The answer is simple, it will disrupt planning because these excess vouchers will start being used as money creating a secondary market by bidding up prices.

But when we take productivity on the output side, the opposite happens, now there is a benefit to working collectively and efficiently. Let me hasten to explain as I have done many times before. The price of an item reflects the actual cost of producing it or what is the same thing the weighted average labour time expended on it. It follows that if workers productivity rises, or they work more efficiently, this reduces the price of the item because it reduces the actual time needed to produce it.

Now the reward is equal because the workers who design a new machine, the workers who build it and the workers who use it all enjoy the resulting fall in prices this new machine makes possible. Thus while receiving in proportion to contribution rewards individual effort, falling prices rewards collective effort, harmonizing individual and collective effort. For this very reason, the profit motive which animates capitalism is replaced by the falling price motive which animates the lower stage of communism. This could not happen in the Soviet Union where prices were fictitious, and where margins dominated.

But there is another equally important virtue for taking productivity and productivity differentials on the output side and this has to do with the issue of ownership. The inherited means of production are not

equal. Some are more advanced or the ratio of worker to machine could be higher or lower. This results in workers enjoying differing levels of productivity. However, workers cannot be rewarded differently based on their individual productivities because we collectively own the means of production in common so the benefit should be generalized. Were groups of workers to be rewarded unequally this would reduce collective ownership to a nonsense. Therefore we are duty bound to even out productivity differentials.

And we do this through weighting output. This means taking into account not only differing productivities but differing outputs at each level of productivity. We thus weigh output as well as weighing up the differing costs of production. That is why price is finally determined by the weighted average economic time needed to produce any item. As I have proudly pointed out before, I originated the following observation; “that when the volume of production is multiplied by the weighted average labour time needed to produce it, it always equals the total economic labour time expended on that product”.

This means workers in more productive plants do not receive back more than workers in less productive plants because the price is set by the weighted average. If one plant is one quarter more productive and produces twice as much as another plant, then the following weighted average will inform the price; $0.75 \times 200 \text{ plus } 1 \times 100 = 250 \div 300 \text{ units} = 83 \text{ pence or cents}$. The simple average would yield one Pound or Dollar ($300 \div 200 + 100$). Instead each worker will pay only 83 pence or cents for that product regardless of their productivity. The reward will be in the overall productivity and its systematic reduction.

Collective ownership means collective ownership.

We all speak of collective ownership. But this would be rendered collective in name only if the differing productivities yielded by this collective property rewarded workers unequally. We have seen how to overcome this above. That is why we are opposed to the anarchistic expropriation of capitalist private property where the workers in one factory appropriate their factory while workers down the road appropriate another. Instead of the cloth of collective property we would end up with an unworkable patchwork quilt formed from disjointed ownerships.

In the latter case, individual productivities would dominate, pricing would become ragged and conscious planning impossible. It would become impossible for labour vouchers to supersede money. I have shown this in the article referenced a) at the top of the article which also takes issue with those proposing co-operatives which would fracture collective ownership. Let me repeat, collective ownership is a quintessentially democratic goal, for it alone when carried out correctly, can harmonize society in the way I have described.

There is also a second aspect to this collective ownership. The regulation of new and additional investment. This is covered by the reference marked d) where the *Group of International Communists* in the 1930s made a number of elementary mistakes. First planning can only be conducted from the consumption side not the production side. Take a steel producer. They will not know how much steel to produce, what the grade should be, and whether rods, bars or rolled steel will be needed. This information can only be fed to them when the planners know how many pots and pans have been ordered, how many buildings are to be erected, how much railway track is to be laid, and so on and so forth. Only then can the steel maker know what to produce.

Furthermore, the demand for steel may reduce while the demand for glass may increase due to changes in consumer preferences. As a result the planners may reduce investment in the steel maker and increase

it in the glass maker. Labour would be transferred from the steel maker to the glass maker or part of the steel plant could be repurposed. All this would happen via the social fund, or at least in that part dedicated to investment.

This differs to what was discussed in the 1930s by this group. For them each plant would make a surplus part of which would be set aside for investment purposes. But here is the problem, if this investment was needed elsewhere, the question arises what would be the mechanism needed to transfer that investment, and would the plant doing the investment demand a share of the output from the plant absorbing their investment because it is their labour being transferred. This is silly because we here are discussing two surpluses. There is the surplus called the social fund and there is this surplus at the plant level. It follows that any surplus at plant level will reduce the surplus lodged in the social fund making fluid investments between areas of production as demanded by the plan no longer frictionless.

No we need a change in consciousness. The workers in each plant do not own their plant. They own each others plant, and in fact once it is recognised that we all own the means of production in concert, it turns out no one owns it; the means of production will no longer be considered property and with that the purpose of the state – the protection of property – will have been spent.

We are building a society of freely associating producers. There are no longer employers and employees. The planners are not our employers they are simply the allocators of tasks and the facilitators of the means to accomplish those tasks. An analogy will suffice. When we are hired by a large corporation we are hired on the basis of a job description. In other words we are provided with our tasks. We do not get reemployed every time we cross their threshold. We work for that company until we are fired and until then we work in accordance with the tasks management assigns us. Similarly with planning, here we fulfil the tasks set out before us, but this time without being employed. This is our social contract with planning; we have the right to decide what we want, but with it comes the duty to work in accordance with the plan otherwise it cannot deliver what we want. We are not hired nor fired, there is no external coercion, instead there is the guiding knowledge of outcomes should we behave in a contrary manner.

Conclusion.

By degrees capitalism is coming apart. The fabric of society is tearing. Standards of living are falling throughout the world now. Productivity is stagnating. A.I. increasingly exercises the contradiction between the forces and relations of production to breaking point. The planet is in crisis. War is breaking out everywhere as a flailing and failing hegemon, the USA, lashes out. In this political maelstrom the cry for an alternative is heard. Such an alternative as I have shown depends on a deep understanding of capitalism, of its contradictions and its limitations. And it depends on understanding what felled the Soviet Union.

Those who do not understand the present cannot point to the future. Only in this way can a living alternative be presented, providing hope where once there was despair. Today, as capitalism unravels the rich and powerful will spread their cloak of division and darkness, blaming foreigners, migrants, religions and so on for the predicament society finds itself in. They will seek to divert anger sideways diverting it away from themselves which is why they sponsor and mould the right.

It is in this environment that we operate. We need not only to be able to provide arguments but to win them. Which means our programme must not only be bold but solid based on testable theory. This means

understanding the nuts and bolts of planning. Planning is not about technique, it is about social relations, how the relations of production are to be organised to make planning possible, and how the plan overcomes the divisions in the working class inherited from capitalism.

Planning could have succeed in the 1930s using telephones and adding machines. Sure this would have consumed more labour time and been more clunky. But it was not technical limitations which caused planning to fail in the USSR, it was oppressive social and production relations which alienated the producers from the plan. Knowing what went wrong in the USSR is the key to winning the arguments, to ensuring that workers have the confidence to overthrow capitalism. The ideological struggle is always the overture to revolution, if we lost that struggle, what would occur will not be a revolution but an extended intermission during which time the capitalists will mount a counter-revolution.

I am and remain disturbed by the infantilism of the revolutionary left at the level of theory. Planning is as often talked about as it is misunderstood. The two essential forms of planning are ignored, I refer to planning for individual choice and planning the social fund. The concept of universal labour time combining intensity, skill and productivity is overlooked, but without addressing these elements, the building brick of planning - costed labour time - is impossible. The knowledge of the source of additional investment is absent, and above all the concept of collective ownership and collective labour lies undeveloped.

It has been my duty and privilege to have helped correct this by improving our understanding of how planning can be implemented and how it can function. I look forward to a future where the consumers are connected to the planners as if by a nervous system, and where the planners are connect to the producers as if by a hormonal system. An organic whole bringing society together and eventually ensuring that which divided us for ten thousand years – production - now unites us in a common endeavour. At that point, as Marx said, true human history will begin.

*I find the term social to be a better fit. The fund is not common to all. Less of it will be spent, for example on those in work, proportionately more on those out of work. On the other hand the word social implies it is to be spent in a collective manner based on the needs of society and those who live in it.

Brian Green, 2nd August 2024.