

One for the believers

The promises and slender evidentiary basis of democratic socialism

PAUL SEABRIGHT

THE 99 PERCENT ECONOMY

How democratic socialism can overcome the crises of capitalism

PAUL S. ADLER

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A CENTURY OR SO AGO, in December 2019, when *The 99 Percent Economy* first appeared, it seemed not unlikely that Bernie Sanders, a self-proclaimed “democratic socialist”, might soon become president of the United States. Had all gone according to his plan, a book like this would have been scrutinized as an authoritative guide to the core of his ideas, if not – given congressional constraints – to their future legislative fruit.

Put simply, these ideas are centred on public ownership of most of the means of production, and control of firms either by their workers or by an administrative structure controlled by a democratically controlled state. Democratic socialism should not be confused with social democracy, even of the Nordic variety, which can envisage much redistribution and economic regulation, but keeps a large role for private ownership. For the believers, this is only so-so-socialism. Widespread public ownership, not just of firms but of many other assets such as housing, is central to the project.

Whether the democratic socialist agenda has gained or lost in credibility during the tumultuous year since Paul S. Adler’s book was published remains an open question. At one point, discussing how his vision of democratic socialism could be accomplished, the author muses that it might take a crisis to create the necessary conditions. He cites the Second World War, which legitimated massive government economic intervention. Since he wrote these words, the US has been subject to the most expansive fiscal stimulus in its history. Might the time for these ideas have now arrived?

There are three parts to *The 99 Percent Economy*, and the central one, which draws on Adler’s expertise as a researcher in management, is by far the best. A common objection to democratic socialism, first advanced by Friedrich Hayek in the 1930s, is the difficulty of co-ordinating the decisions of the many productive units in the economy, given the dispersed nature of economically relevant information. The price mechanism remains one of the best means yet devised for signalling such information, and for prices to play this role often requires those who control resources to be able to benefit from their being directed to their most productive uses.

Adler describes in illuminating detail the way in which some large US companies already engage routinely (thanks to sophisticated IT systems, as well as intelligent senior management) in the kind of coordination across sub-units that would be required of state management in a socialized economy. Ronald Coase made the point theoretically many years ago (see *The Nature of the Firm*, 1937), as, more recently, did Leigh Phillips and Michal Rozworski in *People’s Republic of Walmart* (TLS, June 7, 2019), and Adler further demonstrates how far such co-ordination can go in the twenty-first century. The examples include IBM and the healthcare provider Kaiser Permanente, and they serve as a useful corrective to the unthinking deployment of the Hayek thesis as a *gotcha!* put-down of central planning. All the same, while these examples show it’s possible to undertake sophisticated coordination across sub-units, they don’t show that it’s easy, or that there’s



a method for doing so that can be generalized across firms, sectors, or countries.

The experience of globalization since the digital revolution in sectors such as cars and electronics has been that nation states have been less successful than some large firms at co-ordinating complex supply chains. Germany doesn’t make cars – and if its imports of parts were halted, it would not be able to produce a single car. It’s German *firms* that make cars, and they do so by co-ordinating supply chains that span the globe. The last country successfully to launch whole manufacturing processes in a systematic way was South Korea, for reasons that don’t generalize easily to other countries, and that didn’t involve much democracy in the process of industrial management.

Later industrializers, including China, have mostly joined supply chains created by other independent actors rather than trying to build their own. And while many have tried to build the most complex chains, few have succeeded. One of the virtues of private ownership is to allow for lots of attempts, from many directions, rather than just from the politically well-connected in a state whose leaders have a monopoly over investible resources. So while Adler’s examples are intriguing they don’t add up to a programme.

The rest of the book is woefully short on argument and evidence. The first part is a familiar rehearsal of the many failings of advanced capitalist societies – the financial instability, the environmental destruction, the widening inequality in the US matched by at least some other countries. But Adler too easily blames capitalism for the problem, rather than the other shared features of the societies facing these crises – their level of industrialization, their large populations, their wide geographical spread, their level and form of education, the bureaucratization of their social management, and their obsession with physically measurable outputs. The environmental damage done by capitalist societies was matched and often exceeded by the Soviet bloc, and it is facile to assume that abolishing private ownership is the solution to a greener world.

I would be tempted to describe the last third of the book as “out to lunch”, though with the closure

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of restaurants here in France, from where I write, the phrase has now acquired nostalgic connotations. This section consists of the repeated assertion that all you need to do to bring about sophisticated state management of the economy is to implement democratic decision-making in all matters related to economics. If we can only do this, says Adler, “what now seems utopian will become feasible and indeed normal”. If the past decade-and-a-half has not been a great advertisement for capitalism, it has hardly been a glowing endorsement of democracy either. Adler does not address this point. He does not consider, for example, whether firms managed by boards voted in by their workers will be more respectful of the environment, or more open to innovation, than those that are managed by boards voted in by their shareholders. He also ignores the problems in the implementation of democratic mechanisms that political scientists have explored at length – lying to voters and the exploitation of minorities, to take but two topical examples.

What can we say more generally about the impact of the pandemic on the credibility of plans for widespread public ownership? Lockdowns have certainly sparked some backlash, and fuelled a more or less diffuse feeling of suspicion in many countries about governments’ coercive powers. On the other hand, there is little widespread objection to using public money to prevent these same lockdowns from destroying society’s productive institutions, despite continuing argument about the number of zeroes on the cheques and much evasiveness about who eventually has to honour them. This is an urgent challenge that pure laissez-faire cannot meet – but pure laissez-faire is not and never was on the table. Still, outlawing private property is a much bigger step. How likely is it that we would have any vaccine delivery today if all pharmaceutical laboratories were publicly owned?

It is also an open question as to whether increased democratic control of the details of intervention will seem attractive to populations at risk. There are some encouraging signs. China’s authoritarianism has seemed a price worth paying to some for a more decisive control of viral spread, but Taiwan has been even more successful, probably because of greater social trust – though you won’t find the WHO feeling free to express this point. South Korea, too, has so far performed better than most European countries, and by entirely democratic methods. Some innovations in democratic procedures – local deliberative democracy, for example – might come into their own as ways of sharing responsibility for the social costs of confinement. Still, some of the most indecisive responses to the pandemic have come from democratically elected leaders. And some elected autocrats have so far emerged much strengthened – look at Hungary.

Just as optimists and conspiracists have promoted many unproven treatments for Covid-19 in recent months, there is no shortage of ambitious remedies for the larger problems of society proffered on a slender evidentiary basis. Intelligent scepticism is at a premium, and not just for the uses of hydroxy-chloroquine and bleach. We have been told that the pandemic represents a failure of globalization (don’t believe it: the fourteenth-century Black Death killed nearly half the population of Europe long before globalization as we know it today); and of capitalism (don’t believe it either: this was an easier charge to make against the financial crisis of a decade ago). We have also seen some tantalizing glimpses of a better, bluer-skied tomorrow. But getting there will be tortuous. Anybody wanting to make the case for democratic socialism will need to work harder to describe the road ahead than, on the evidence of this book, its partisans think is necessary. ■