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Three Essays on the Past and Future of Socialism

Abstract

For the past four decades it has been widely believed that socialist planned economies are inherently prone to waste and inefficiency, and unable to produce adequate economic growth. The fall of the Soviet socialist world system was taken as proof that this view is correct, although little effort has been made to investigate whether the causes of this demise were systemic or contingent on specific historical circumstances. As a result, many former advocates of socialism abandoned it altogether and came to embrace social democratic capitalism. Others became proponents of various forms of market socialism. The idea of economic planning and state ownership of the means of production, which had been central to socialist economic thought for a century and a half, suddenly fell out of favor even among socialists.

The three essays of my dissertation are in essence critiques of this new orthodoxy. The topic of the first essay is market socialism, with a focus on the most prominent market socialist proposals that have been made in recent decades. Rather than launching into a discussion of the feasibility or possible economic performance of the various market socialist proposals, the essay instead asks whether market socialism is substantially different from capitalism in the first place. It aims to show that, in any economic system which is based on market relations and atomized ownership of the means of production, there will be de facto capitalist exploitation. Thus, apart from any negative economic outcomes that it may produce, market socialism is undesirable in principle, because it is not substantially different from capitalism - and if our goal is merely to achieve better outcomes within capitalism, there are far less costly ways of doing this than trying to redesign the economy.

The second essay is a study of the relationship between a planned economy and innovation. While critiques of economic planning are often couched in the language of "efficiency", the main difficulty actually faced by historical planned economies in their competition with capitalism was the fact that they could not keep pace with capitalist technological change after a certain point in their history. I argue that this was fundamentally due to the top-down, command-based nature of the Soviet economic system, together with the policy of "taut planning" (attempting to provide each enterprise with only that quantity of resources that is strictly required to produce the planned output, with no buffer to deal with unforeseen circumstances). In effect, Soviet economic planning gave enterprise managers incentives to be technologically conservative and to avoid taking the risks associated with innovation. This was a major flaw of past economic planning, but it is not inherent in the nature of the system, and future planned economies could take steps to avoid this problem.

The third essay aims to challenge the notion that socialist economic planning "failed" in the Soviet Union and East-Central Europe. It is an empirical study of the economic performance of the Soviet-type socialist economies under the stagnation conditions of their worst-performing decade (the 1980s) compared with the experiences of the same countries after the transition to capitalism. The gains and losses from transition are estimated, and the long-term growth path under capitalism is compared with the long-term growth path of the last decade of socialism. An aggregate model is constructed in order to provide an overview of the economic performance of the entire ex-socialist region. Other variables are also discussed. The findings suggest that although a few countries saw a net benefit from the transition to capitalism, the majority saw a net loss. The region as a whole also saw a net loss, and its current economic trajectory makes it unlikely that this loss would be offset by higher gains in the foreseeable future.