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Freedom, State, and Market: the Real Worlds of Economic Planning

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Abstract: The complexity of the real history of economic planning in practice, as well as the variety of rationales that have been offered in theory for various (more or less comprehensive) forms of planning, both suggest that political philosophy would benefit from a more nuanced and less simplistic approach to the discussion of state planning of the economy. The aim of our article is to clear some ground for a discussion of markets and democratic economic planning within normative political philosophy that takes a less stark and dichotomous approach in considering the relationship between markets and state planning, and takes more account of the complexities of both the theory and historical practice of economic planning. The article considers some of the different varieties of democratic economic planning, and the rationales for different forms of imperative and indicative planning regimes, as well as other alternative planning mechanisms. In particular the article looks to bring renewed attention to the theoretical rationales for planning offered by two important theorists of the mixed economy: James Meade and Stuart Holland. We close by revisiting the powerful normative case for economic planning provided by Barbara Wootton, whose rejection of F. A. Hayek's critique of planning, as well as her positive case for planning on grounds of freedom, democracy, and social equality, deserves to be much better known, and whose work is ripe for reintegration into contemporary normative discussions of social justice and political economy.

Keywords: economic planning, social justice, freedom, social equality, James Meade, Stuart Holland, Barbara Wootton

JEL Classification: B240, B310, H100, P110, P210, P500

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I. INTRODUCTION: BEYOND THE DICHOTOMY BETWEEN MARKETS AND ECONOMIC PLANNING

In the neoliberal era, no concept was more demoted from centrality in the lexicon of the left, or came to be treated with more undue suspicion even by progressive political and economic thinkers, than the idea of economic planning. In contemporary discussions, this comprehensive downgrading, and the avoidance of careful engagement with the complex history and theory of economic planning, has had strange and puzzling consequences. One of these consequences is that economic planning is now more often discussed—when it is discussed at all—in its more extreme or abstract variants, without sufficient attention to what we might call the ‘real worlds’ of economic planning as it has been practiced in reality. Planning the economy tends to be regarded as synonymous either with the historical centralised command system of the Soviet Bloc, or with a speculative end-state method of economic co-ordination that completely supersedes market relations. As the weaknesses of the former are widely known, while the prospects for the latter are rather distant from current political possibilities, it can sometimes seem that planning is of little relevance to the development of even ambitious visions of egalitarian transformation today.

Though there are some aspects of market relations that have seemed intrinsically normatively troubling to many socialist thinkers—for example, their dependence on self-interested pecuniary motivations (Cohen 1995, 255-264)—widespread awareness of the weaknesses of centralised command planning as it was historically practiced has tended to undermine confidence, even among socialists, in any conception of economic planning as a comprehensive alternative to reliance on price signals in determining what is produced (Nove 1983; Schweickart 1993). While there are alternative contemporary proposals¹ for completely planned economies that differ, sometimes very substantially, from this historical model, their feasibility and overall desirability has also been vigorously questioned (Wright 2014).

It is undoubtedly important for egalitarian theorists to engage with discussion of these non-market forms of socialism, but existing proposals for *comprehensive* forms of planning do not provide much in the way of practical guidance for movements that aim to acquire state power or seek

¹ See for example Albert and Hahnel (1992), Hahnel (2021), and Cottrell and Cockshott (2008).

to take concrete steps to build more democratic and egalitarian economic systems.² For even given a long-term political horizon, the complete disappearance of market mechanisms seems a rather remote prospect. Yet it appears to us plausible that at least many of the central normative objectives for a planned economy might still be met by forms of *partial* planning that co-exist with market mechanisms. In this, we side with the view of the democratic socialist thinker Karl Polanyi, who once succinctly and powerfully summed up his case for planning by saying that we ‘should aim to transcend the self-regulating market by consciously subordinating it to a democratic society’ (Polanyi [1944] 2001, 242), which suggests that what matters is not that markets should be eliminated entirely, but rather that a democratic rather than a market logic should take priority in shaping the most important aspects of society.

Nevertheless, much abstract discussion of economic planning in political philosophy has tended to treat markets and planning as completely exclusionary alternatives, and to neglect both the real history of the practice of planning and of economic theorists that were engaged with applied questions around it. The case of John Rawls here presents a central and telling example. In his influential discussion of socioeconomic regimes, Rawls counterposes the option of “state socialism with a command economy”, in which all aspects of economic life are centrally planned, and which he rather quickly rejects on grounds of its multiple unavoidable forms of injustice, against the two forms of economic organisation that he sees as capable of realising his principles of justice, either a “property-owning democracy” or a form of “liberal (democratic) socialism”, in both of which market mechanisms instead take the dominant role in the centre of economic life (Rawls 1999, 2001; O’Neill 2012, 2020, 2023). Rawls allows the possibility of “many intermediate forms” (Rawls 1999, 274) in between property-owning democracy and liberal socialism, but these intermediate formations are within the broader space of what are essentially market economies, differing primarily in regards to the ownership structures of economic enterprises. What Rawls does not discuss is the possibility that there could be fruitful and significant intermediary forms that combined partial economic planning with the use of market mechanisms. His outline in terms of a central dichotomy was not at all idiosyncratic, but indicative of a general feature of the thinking of defenders of the market (whether or not they were also critics of every form of

² Hahnel is explicit that his proposals are not designed to address this question (Hahnel 2020).

socialism), whose criticisms of planning would in general tend towards the sweeping and comprehensive rather than inviting a nuanced assessment of the possible role of planning in a justifiable form of economic organisation (Hayek 1944; Friedman 1962).³

It is important to realise, nevertheless, that this polarised conception of markets and planning as dichotomous alternatives is not forced upon us either by the historical record or by the content of the arguments that defenders of different approaches to economic planning have offered in reality. Indeed, this dichotomous view is belied both by the more selective practice of governments, especially during the period of ascendancy of post-war social democracy in the *Trentes Glorieuses* before the neoliberal period, and also by the advocacy of twentieth century democratic socialist movements in proposing forms of democratic economic planning that assumed a continuing role for market mechanisms. Critically reassessing the potential of such planning proposals is important for providing a strong challenge to the 'zombie neoliberalism' (see Quiggin 2010) that still pervades much economic policymaking today, since forms of planning offer a fertile alternative to the neoliberal emphasis on self-regulating markets. Moreover, it seems reasonable to accept that economic planning will be essential to the major and rapid changes in the structure and methods of power generation and economic production required adequately to address the contemporary ecological crisis (Pollin 2019; Aronoff et al 2019; Pettifor 2020; Christophers 2024; Táiwò 2024; Guinan and O'Neill 2024).

In one sense it may be correct to represent a planned economy as the *antithesis* of a market one, but only given acceptance of a prior assumption that the relationships between organisations in a modern economy must be mainly governed either by planning or by market mechanisms. But such a truism does not provide a basis for an empirical claim that the only viable choices are between an essentially unplanned market economy and one in which market mechanisms have been eliminated (or nearly so), precisely because the governance of economic entities can take more complex forms, as the range of mechanisms to which they are subject can be more plural in nature. Nor does the conception of a planned economy as antithetical to a market economy provide clear criteria to specify the points at which an economy passes from being predominantly market-based to being planned, which may involve qualitative

³ For an overview of arguments on the justification and critique of the market, see Herzog (2021).

judgements of the importance of economic decisions and not merely quantitative judgements of their range. And while in recent decades 'market socialism' has sometimes been starkly counterposed to the idea of a planned socialist economy (e.g. Roemer 1994; Ollman 1998; see also Gilabert and O'Neill 2024), its intellectual progenitors saw the relationship between plan and market as symbiotic (see e.g. Lange 1936; Lerner 1938).

The aim of our article is therefore to clear some ground for a different kind of discussion of the political philosophy of economic planning. It seeks to clarify a number of different forms that planning policy may take, as well as the rationales for those forms of planning, and to address questions of how these economic possibilities intersect with normative concerns about economic democracy and individual liberty. Whilst we cannot in this essay do more than clear some space for further discussion of these issues, our central motivating view can be succinctly stated, and can be seen as having both an empirical and a normative element: empirically, we emphasise the point that momentous and interconnected decisions around the level and composition of investment across the economy are of critical importance to the quality of life in a society, including its physical and social infrastructure, the type and availability of employment, distributive inequality, universal access to basic resources, and environmental sustainability. In normative terms, our claim is that, given their great importance for how citizens' lives play out, these decisions ought to be brought within the sphere of democratic deliberation rather than be taken solely with reference to commercial profit imperatives. Our hope is that a re-engagement with some of the ideas and arguments from the history of the 'real worlds of economic planning' can contribute towards supporting the empirical and normative elements of this view.

Our discussion has the following structure: Section 2 addresses the question of how we distinguish economic planning from other ways in which states regulate the economy; Section 3 considers the aims of economic planning, considering the distinction between ultimate and intermediate aims; Section 4 examines the distinction between imperative and indicative planning, taking its point of departure from the work of James Meade; Section 5 considers the alternative 'contract-based' planning proposals of the democratic socialist political economist Stuart Holland; Sections 6 and 7 turn to the important early work of Barbara Wootton, one of the most important defenders of economic planning, considering both her defence of planning from the freedom-based critique popularised by Hayek and others (Section 6) and her broader positive case for keeping a

central place for planning in economic governance (Section 7). We conclude in Section 8 with a call for political philosophy to move beyond the dead-end of dichotomous thinking about states and markets, and to re-engage with the powerful insights of some of the most intriguing defenders of economic planning that can be found in the not-too-distant history of democratic socialist and social democratic political thought.

II. DISTINGUISHING ECONOMIC PLANNING FROM OTHER FORMS OF STATE ECONOMIC REGULATION

The state plays an important role in all modern economies, influencing, controlling and sometimes replacing the operation of market mechanisms. For example, direct government spending on public services represents a significant share of overall spending in the economy and such spending is typically controlled through financial planning and budget setting by central government officials. Governments also utilise extensive regulatory and taxation frameworks that affect and influence business decisions about how, where, and what to produce. These policies are not typically considered to represent economic planning, per se, since they do not seek to guide the operation of the key decision variables in the economic system as a whole according to an overall set of coherent objectives.

One set of policies that may be considered to come *closer* to economic planning is active management of the macro-economy along traditional 'Keynesian' lines. As is well known, such policies aim to affect key macro-economic outcomes such as employment, growth and inflation by fiscal and monetary policy measures that influence aggregate demand. Even in neoliberal times, demand management has in practice remained a persistent feature of market economies, if to a more limited extent than previously.⁴ However, these policies alone are not usually considered to represent economic planning, since they involve no or limited direct intervention in decisions on the supply side of the economy. As such they are not a sufficient means for governments to exercise control over a broad range of economic outcomes.

While demand-side policies have an important indirect effect on the level of business output and employment, they have much less influence on the potential productivity of the economy. Productivity growth, aptly

⁴ For example, the fiscal stimulus and quantitative easing policies adopted in leading OECD countries subsequent to the global financial crisis of 2008.

described by Paul Krugman as 'almost everything' that matters for living standards in the long run (Krugman 1997, 11), is typically regarded by economists as determined by such variables as the rate of business investment, the supply of skilled labour, and the development and diffusion of new technology. It is important to acknowledge that Keynes himself did not regard demand management policies as sufficient, arguing in *The General Theory* that 'it seems unlikely that the effect of banking policy on the rate of interest will be sufficient by itself to determine an optimum rate of investment' and that 'a somewhat comprehensive socialisation of investment' seemed necessary (Keynes [1936] 2018, 336). The ability of demand-side policies to boost output is constrained by available economic capacity, and it has often failed to reconcile objectives of growth and employment with stable inflation and a stable exchange rate. Nor is overall demand management relevant to influencing the structural composition of investment in the economy, and to managing changes in the structure and location of production, though these have important economic, social, distributive, and environmental dimensions.

Often governments in market economies have also sought to intervene to alter the structure of the economy on the supply-side, for example through major infrastructure investment projects, education and skills policy, research and development subsidies, regional policy, selective nationalisation, and sector-specific 'industrial policy' underpinned by consultation with the private sector or the provision of economic incentives. The boundary between such policies and 'economic planning' may inevitably seem somewhat inexact, as such industrial intervention can be very extensive, for example in Japan and South Korea during their phase as developmental states in the mid and late twentieth century (Chang 2002). What may be taken to distinguish strategies explicitly labelled as economic planning are procedures for joining up these interventionist policies into a coherent and consistent strategy that is relevant across the economy overall, for example through the production of an extensive 'national plan'.

Call this latter claim the 'threshold' view for what constitutes economic planning, whereby the level of government intervention and regulation in the economy is seen only as rising to the level of what constitutes 'economic planning' when there is the requisite degree of coordination, consistency and systematicity. We offer this as one way of giving more determinate shape to the category of 'economic planning', although we acknowledge that others may want to take a more 'scalar' view that rejects

the idea of a threshold that must be met in order for an economy to be considered an instance of planning. The more important points here, though, are the underlying ones: that even on a 'threshold' view, the elements of government action that, taken together and when applied with a coherent systematic aim, can be considered to constitute planning are nevertheless always and everywhere composed of the various piecemeal components of economic governance, regulation and 'intervention' that we outline above. There is a broad spectrum of degrees of political action under consideration here, which are not at all well captured by thinking of it as a simple binary question whether an economic system is a free market or a planned system.

III. WHY PLAN? ULTIMATE AND INTERMEDIATE AIMS OF ECONOMIC PLANNING

One limited rationale for devising a coherent plan for all key factors affecting the development of the economy is simply that it makes it easier to achieve widely accepted economic objectives of improvements in material living standards, with full employment and stable inflation. Given that economies are interconnected systems, demand management and supply-side interventions to boost growth and productivity ought to be made more effective if they operate as part of a consistent and comprehensive economic strategy.

The worry about pursuing different elements of economic policy in isolation is that one would be left with a lack of coordination, and the danger of different elements working against each other, or of producing unintended and unwelcome consequences. (We can think here of the spectre, in post-2008 economic policy, of countries pursuing the dizzyingly mismatched combination of contractionary austerity in fiscal policy, alongside central banks' expansionary monetary experiments in quantitative easing). One can think also of the significance of evaluative holism, as encapsulated by the Rawlsian idea of the 'basic structure of society', that is "the way in which the major social institutions distribute fundamental rights and duties and determine the division of advantages of social cooperation" (Rawls 1999, 7), encompassing the interrelated functioning of the set of main social, political and economic institutions within society. The absolutely central Rawlsian point about the 'basic structure', seen as the subject of justice, is that when we think about the justification of our economic system, the question before us is always a holistic one, about how the whole set of elements fits together and functions as an

overall system. In economic life, everything depends on everything else; hence, we simply cannot judge whether some particular policy is wise, or in any case justifiable, unless we assess it against the background of other elements. In one way, then, the call for economic planning is simply the analogue, when it comes to democratic direction of the economy, of the general orientation towards *holism* in evaluation and justification that exists when we consider the desirability or otherwise of economic systems.

Going beyond 'simple' demand management pursued in isolation, an overall economic plan would also permit the sectoral composition of the economy to be consciously influenced, which can be important for promoting wider economic and social objectives such as infrastructure development, managing processes of industrial transition and avoiding structural unemployment, promoting sectors with high propensity to export (or to substitute for imports), or sectors with greater potential to provide high quality employment and to reduce the size of sectors with high social costs such as high inequality (such as the finance sector) or environmental damage (such as the fossil fuel or aviation industries). Such plans could also include measures to influence the location of economic activity and address regional inequality, especially with regard to economically depressed or 'left-behind' areas (Guinan and O'Neill 2019a, 2019b), or to foster certain forms of socially desirable innovation and development.⁵ An intermediate aim, crucial to such socially ambitious planning, would be a central plan for the broad amount and direction of investment in the economy in all its forms (physical capital, infrastructure, skills, research and development), that is coherent in terms of the input and output linkages between different sectors. Finally, and somewhat more controversially, planning the sectoral output of the economy could also involve imposing social priorities on consumption, for example so the basic needs of all are given higher priority than the luxuries of the better-off, or to discriminate in favour of forms of consumption regarded as more worthwhile by society. We here reiterate a point made by Lange (1958, 7-8) that, even tending towards this high degree of political influence on the shape and direction of economic production and consumption, there could still be plenty of scope for the use of market mechanisms *within* a highly-directed economic structure, unlike in a comprehensive 'command economy'. We shall now turn to questions of what instruments

⁵ The potential value of government-led 'missions' in guiding innovation in socially desirable directions is outlined by Mazzucato (2013).

would be necessary to make planning effective, and how extensive and detailed such planning should be in order to achieve its aims.

IV. INDICATIVE PLANNING IN MARKET ECONOMIES: REVISITING JAMES MEADE'S ARGUMENTS FOR (PARTIAL) ECONOMIC PLANNING

It is important and revealing to bear in mind that, during the twentieth century, advocacy of some form of economic planning was not necessarily connected with socialism or the political left at all. Indeed, a major impetus to state co-ordination of economic activity was the demands of modern war, with the war economy developed in Germany in World War One considered an influential early example of state planning (Asschenfeldt & Trecker 2023). Economic planning was also a feature of some peacetime capitalist market economies, particularly in the decades following the Second World War, a notable case being the *Commissariat Général du Plan* in France, whose most active phase occurred largely under centre-right governments in the 1950s and 1960s, and was associated with a period of fairly rapid economic development (Larkin 1997, 185–195). Such examples of planning within market economies have often been characterised as forms of 'indicative' planning to be contrasted with the 'imperative' planning present in Soviet-style or wartime command economies. Rather than providing directives to enterprises across the economy about what to produce, indicative planning operates through seeking the voluntary co-operation of key enterprises with the government's economic objectives. National plans indicating the future projected growth rate of the overall economy, and the underpinning assumptions about growth and investment across sectors, are designed to encourage leading firms to undertake the investment necessary for such outcomes to materialise.

A rationale for a rather pure form of indicative planning was provided by the social democratic economist James Meade, who argued that the mutual interdependency of the investment decisions of firms (and government) means that such decisions will be sub-optimal in a context of uncertainty around what other firms will do (Meade 1970; 1975, 102–106). The basis of Meade's argument is that one firm's output is often another firm's input, for example that the production of steel depends on energy inputs and steel output is an essential component of the motor industry. When firms make medium or long-term investment decisions, such as to build a new steel factory or a car plant. they need to make estimates of the prices of future inputs and of demand for their output, but they do this largely in ignorance of the future investment plans of their suppliers

and customers. As a result, firms are likely to make plans that are not consistent with one another. As is well known, orthodox neoclassical economic theory postulates that, under certain restrictive assumptions, price signals can co-ordinate the allocation of resources efficiently according to the Pareto criterion. However, this is of course a static analysis that ignores time. The market failure that Meade emphasises is that firms are imperfectly informed about future prices of inputs and outputs, hence their investment decisions will misallocate resources compared to this ideal standard, resulting in total output being lower than it otherwise could be. And the negative effect on growth may be compounded if firms are generally deterred by uncertainty over future prices from making potentially profitable investments.

Meade considered and rejected as utterly infeasible the only theoretical market-based solution to this co-ordination problem, the development of contingent forward markets in the prices of future input and outputs. This would involve firms coming to agreements with one another about the price they will pay for inputs and outputs in all possible future states of the world, thereby ensuring that whatever the actual future state of the world is, their plans are consistent with each other. Meade argues such a comprehensive futures market is impossible partly because of its complexity and also because not all future participants in the market even exist at the present time. Moreover, to the extent that some closely interdependent firms do share information with each other about future plans, this tends to be associated with anti-competitive cartel agreements to restrict output and raise prices to final consumers.

Meade acknowledged that the problem of imperfect information, and the risk of enhancing the market power of firms over consumers, might also seem to constitute problems with government guidance to co-ordinate firm decision-making. Clearly, governments also cannot make very accurate long-term economic forecasts and centralised economic co-ordination by the state might tend to the advantage of, or even be captured by, the interests of large firms. Nevertheless, Meade suggests that there remains a reasonable case that government has a unique potential to significantly enhance the quality of information available to firms in a way that partially substitutes for the absence of a contingent futures market.

Meade's defence of this particular and unique role for the government in economic coordination turns on the significance of the fact that, in modern mixed economies, government itself has a substantial influence on future economic developments through its macroeconomic, regulatory

and industrial policies. Forecasts of the effects of such policies on the growth of the overall economy or particular sectors provides crucial information for private sector investment decisions. In addition, governments directly control a significant share of national income and investment through spending on providing public services and on public infrastructure projects. Providing information to firms about the details of these plans can also significantly improve their investment planning. For example, if government plans a programme of school building, then this will have consequences for the demand for construction materials produced by firms in the private sector, and for which those firms can then prepare when given sufficient information. Moreover, Meade argues that the role of government goes beyond merely providing information about its own plans. It also is the only institution with the impartiality, capability and authority to collect information from firms across the economy and use this to forecast major macroeconomic and sectoral trends and relay this information back to firms. As elected governments are concerned with ensuring rising living standards, they also should have some motivation to design guidance provided to firms in a form that will enhance efficiency and growth rather than simply promoting the interests of particular groups of firms.

Meade's analysis therefore suggests that the provision of information and the promotion of consensus around economic objectives that indicative planning involves can lead to more coherent and confident decision-making across public and private sectors that may accelerate economic growth. However, from a democratic socialist perspective such planning might appear very limited in the extent to which it asserts collective democratic priorities over the logic of the market. Indeed, it presumes an essential harmony of interests between the long-term goals of an enlightened and informed private sector and the good of society, seeking to replicate the outcomes that would be produced by a theoretical model of a perfectly informed market economy. Meade's early thinking on planning appears to have developed in tandem with the early application of Keynesian national economic management (Meade 1945) and to share with it an objective of improving the overall level of output while accepting that its composition is largely guided by market incentives. Meade did recognise there was also a strong case for government intervention to make major structural decisions affecting economic development whose value cannot be adequately assessed by private firms, for example decisions about investment in major public infrastructure projects (Meade

1975, 106–109). However, for Meade such decisions should be the exception rather than the rule, essentially reflecting a politically liberal aversion to centralised decision-making:

If one wanders too far down the socialist path freedom disappears, the costs of bureaucratic controls mount, and among the innumerable guardians will be found many fools and many knaves [...] The intelligent radical seeks for some intermediate position in which *the maximum possible use is made of the price mechanism*". (Meade 1975, 122–123, our emphasis)

What is so striking here about Meade's position is precisely, then, this defence of the kind of 'intermediate position' which has so often been lost in more recent discussions of economic planning. Meade was very far from advocating a kind of socialist maximalism in the direction of economic production and consumption, but was making the case for a coherent and intelligent approach to indicative planning, within the kind of mixed economies that existed then (and continue to exist) in the real world, precisely on the grounds that the intelligent use of economic planning by democratic governments is a *precondition* for the smooth and rational development of a market economy. In Meade's view, economic planning is not the enemy of the well-functioning market economy, but the precondition for its success.

V. STUART HOLLAND AND THE CASE FOR ALTERNATIVES TO INDICATIVE AND COMMAND PLANNING

The common categorisation of planning systems as either indicative or command planning might suggest the only alternative forms are either planning that aims to make an essentially market system work more efficiently (as we see above in the work of James Meade), or a wholly state-directed economy of the Soviet-type, without meaningful space for the market, of the kind that Meade feared. However, this way of presenting the issue obscures *other* intermediate forms of planning that are not only conceptual possibilities, but have actually been applied in practice. As with the contrast between planned and unplanned economies in the general case, we should also beware the lure of false dichotomies even *within* the demarcation of specific approaches to planning.

Therefore, as we shall argue with reference to the illustrative example of the work of Stuart Holland, rather than positing a simple dichotomy between indicative and imperative planning, we should instead think in

terms of a spectrum of planning mechanisms that are more or less indicative or imperative. This spectrum is also not unidimensional as we can consider at least two axes along which planning mechanisms may differ. The first axis relates to the degree of compulsion involved in planning, ranging from voluntary guidance, through indirect measures to influence and secure compliance by firms, to direct control of firm decisions. A second axis concerns the degree of comprehensiveness of the planning in terms of the range of firms and sectors whose decisions are the subject of detailed influence or control. The classical command economy represents the far end of both axes, in that it involves high compulsion and high comprehensiveness. Purely indicative planning obviously involves low compulsion. In our sense this entails low comprehensiveness also as it does not involve detailed influence on firm decisions.

Stuart Holland (see Holland 1987)⁶, a British democratic socialist economist and a critic of purely indicative planning, has emphasised that the supposedly indicative planning implemented in France in the 1950s and 60s did in fact make use of an array of indirect economic incentives and controls to promote the objectives of the plan. Subsidies, loans and reliefs were offered as positive incentives, while price controls were utilised as negative incentives. Furthermore, the substantial nationalised sector of industry in France was made subordinate to fulfilling the targets of the plan. Even so, Holland argues that indicative planning in France became less effective in influencing the private sector over time and the attempt to transplant it to the UK by the Labour Government of the 1960s was widely regarded as a failure. Holland suggests that in the heyday of French indicative planning the economic environment was fairly stable and there was a high degree of social consensus about economic objectives, which helped secure a *positive feedback effect* in which firms had confidence in plan forecasts and sought to fulfil them. This was undermined by declining social consensus, international economic shocks, and the rise of a sector of firms with a very large degree of market power, some of them multinational, that were less susceptible to influence by general economic incentives.

Holland's main proposed alternative to indicative planning may be termed *contract-based planning*. This involves governments bargaining with leading firms in key sectors of the economy and agreeing with them plans for such outcomes as their output, investment, prices, employment, location, and imports and exports. For Holland, effective planning of this

⁶ For some of Holland's more recent views, see O'Neill and Holland (2017).

type required governments to make government aid and other levers conditional on negotiating agreements. While not completely compulsory, this form of planning would involve a much more detailed influence by government on firm-level decision-making, though only for firms of strategic importance to the national economy. This form of planning was at least partially pursued by some governments from the late 1960s through to the 1980s under such labels as 'planning agreements' (UK), 'programme contracts' (Italy, Belgium), 'planning contracts' (France) or 'planning accords' (Greece, Australia). These schemes fell short of the extensive system of planning envisaged by Holland and relied more on voluntary co-operation than he believed necessary or desirable (Holland 1987, 86). However, interestingly an analysis of the twenty-first century Chinese economy suggests that such contract-based planning plays a significant role there as one method of securing the goals of continuing five-year plans, alongside direct control of a still substantial state sector and indicative planning and indirect incentives of the type more familiar in Western economies (Heilman and Melton 2013). One important role for planning contracts in China appears to be to ensure the fulfilment of central planning goals to modernise crucial infrastructure in the country, such as roads, technology and energy systems. Contrary to the perception that Chinese economic development since the abandonment of the command economy has relied simply on unleashing market forces, it would appear that central economic planning has retained an important role within the shift to a market system. In some ways, then, the notable economic success of the Chinese hybrid economic system, combining as it does elements of state planning and market coordination in a mixture that has been insufficiently examined or theorised within Anglophone political philosophy, can be seen as at least in some regards a vindication of the kind of 'contract-based' alternative to indicative economic planning that Holland had outlined and defended (albeit, of course, that Holland was very much envisaging a system of contract-based economic planning that would be deployed by *democratic* governments).

If contract-based planning represents an intermediate position with respect to degree of compulsion of planning, it also is intermediate in terms of degree of comprehensiveness since it is selective in the firms that are targeted. (It would therefore lie towards the centre of the two axes outlined in Diagram 1.) Moreover, contract-based planning may also not represent a significant shift away from market co-ordination of production as such. For as Phillips and Rozworski (2019) have argued, the

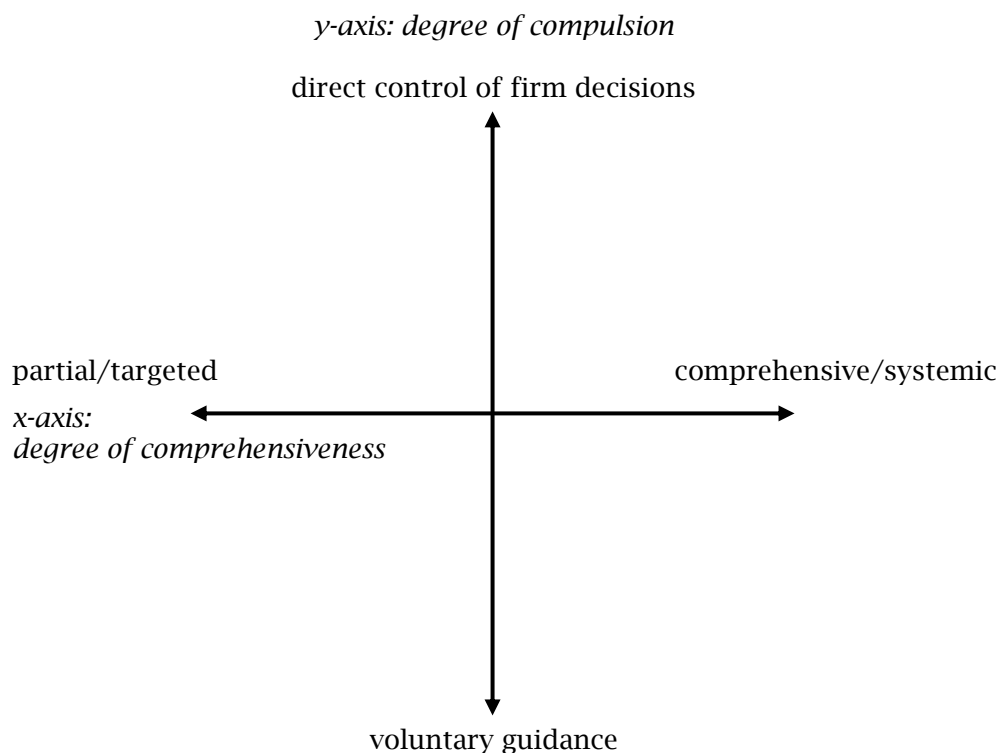


Diagram 1: Two Axes of Planning

gigantic size of dominant economic firms mean they already engage in a large amount of centralised co-ordination of production internally, but their corporate plans are not co-ordinated with other such firms, or directed towards democratically agreed priorities. It might be regarded as a strength of the contract-based approach that it offers a means to extend democratic control of these concentrations of private power without completely removing any potential efficiency benefits of markets.

To the extent that there are inescapable conflicts between the commercial interests of firms and collective democratic priorities, *partial imperative planning* offers a further alternative to both indicative planning and extensive centralisation of decision-making throughout the economy. By partial imperative planning we refer to a planning mechanism that is high on compulsion but selective rather than comprehensive in its scope. Lange (1958) suggests that socialist planning should make use of both imperative and indirect mechanisms, with control of key investment decisions crucial given their influence on the rate of growth and sectoral composition of the economy. This might involve imposing democratic priorities on investment flows to particular sectors, for example through a public banking system. Or it could mean directing the investment plans of large enterprises, no doubt also most easily achieved under public

ownership. However, it would not imply any detailed control of the production processes of most enterprises in the economy. Interestingly, there may be some degree of convergence here between models of market socialism with planning and economic models advocated by avowed critics of 'market socialism'. For example, McNally (1993, 204–205) suggests a fairly widespread, but still incomplete, imperative planning system that applies only to the production of the bulk of homogenous goods essential to the fulfilment of human needs, with market exchange continuing for other goods and services that are lower social priorities, in scarce supply, more specialised in nature or involving the supply of personal services.

In the present discussion we cannot do much more than to gesture towards the broad range of possibilities in terms of methods of economic coordination that instantiate different kinds of admixtures of market regimentation with the various forms of economic planning (whether imperative, indicative, or contract-based, and whether selective or comprehensive in orientation). Our hope is that this brief discussion at least gives our readers a dawning sense of the complexity of the relevant empirical and policy terrain, and the unsustainability of traditional forms of 'dichotomous' thinking in this area, as soon as one begins to pay closer attention to the sheer diversity of different geographical and historical experiences over the past century, and the richness of theorizing of the place of planning, seen in the work of a diverse group of centrist, centre-left, radical *and* socialist political theorists and political economists.

In our final two sections, we now turn towards the work of Barbara Wootton, who has a good claim to be perhaps the most significant normative defender of planning in the immediate era of the Second World War, at least within the Anglosphere. Wootton's thought is, in our view, unjustly neglected, especially in light of its innovativeness, perceptiveness and philosophical sophistication, and there is much to be gained by a return to engagement with her work.⁷

⁷ A notable exception to the unjust neglect of Wootton's work is Thomas Piketty, who lists her in his *Capital and Ideology* as "among the researchers whose recent and not-so-recent work I have relied on most heavily" (Piketty 2020, 1040; see also O'Neill 2021).

VI. WHY PLANNING DOES NOT UNDERMINE THE KINDS OF FREEDOM WORTH WANTING: BARBARA WOOTTON CONTRA HAYEK IN *FREEDOM UNDER PLANNING*

Barbara Wootton's project, in *Freedom Under Planning* (Wootton 1945), written (as she tells us in the book's Introduction) in Fulham Public Library during the closing stages of the Second World War, was to launch a powerful rejoinder to what struck her as the entirely wrongheaded approach of Friedrich Hayek in *The Road to Serfdom* (Hayek 1944). For our purposes, one of the most striking aspects of Wootton's subtle and powerful defence of economic planning was that it precisely looked to escape the obfuscatory abstractions of Hayek's approach, and to return the discussion to the real world of mixed economies, and less-than-fully-comprehensive forms of planning (even in war time), thereby seizing the chance to escape from the limitations of excessively dichotomous thinking. She railed against the "barren" disputes between socialists and their critics that turned on discussion of "absolute systems". As she quite rightly put it "every economy in the world is a mixture of plan and no-plan" and "every economy in the world is a mixture of the same ingredients—private enterprise, state and municipal enterprise, semi-public corporations, and producers' and consumers' cooperatives, compounded in various proportions" and, given this, "realistic discussion must concern itself, not with two extreme alternatives, but with the endless possible qualitative variations of the mixture" (Wootton 1945, 114).

Where Hayek had argued that the economic regimentation required by economic planning was inimical to human freedom in all its dimensions, Wootton carefully showed that a more careful and nuanced account of (partially) planned economies would facilitate the easy rejection of Hayek's stark morality story. "Planning is a matter of degree" she argued, "nowhere is it entirely absent nor does it anywhere cover 100 per cent of all economic activity" (Wootton 1945, 14). Furthermore, planning of production by firms need not (and often even in the Soviet Union was not) associated with the removal of all meaningful economic choices from individuals, for example about whether to take a particular job, or to buy specific goods. This runs counter to claims sometimes made by liberals that the organisation of production by means of markets is a necessary concomitant of basic liberties of occupation and consumption, such as with the claims made by Rawls in his dismissal of alternatives to market economies as necessarily unjust (Rawls 1999, 272). In significantly

planned economies there could still be abundant civic, cultural, political and economic freedoms, of the various kinds that might be of significance to individuals in their multiple roles as consumers, producers, and political citizens. One might even say that Wootton diagnosed the kind of common mistake we see in the work of Rawls, and many others, in sliding too quickly from thinking about economic planning in the abstract to then focusing unreasonably on the specific depredations of the Soviet model which, after all, did not even attempt in its self-conception to promote, or even minimally protect, the standard range of liberal cultural and political freedoms. As Wootton put it, “The whole question of the impact of economic planning upon both cultural and civil freedoms has been greatly confused by ill-considered inferences from the experience of the USSR” (Wootton 1945, 38). One might almost say that in thinking about the justifications for planning, political thinkers have overlearned the lessons of the failures of the Soviet model (which were in important respects just as evident to Barbara Wootton in 1945 as they were to those writing after that system’s final decline). The point was always that the Soviet-style command economy was never the only model of economic planning that could be imagined, and it was always a mistake for theorists to take that kind of undemocratic model as standing in for the whole possible space of models of the planned economy.⁸

To rebut the charge that freedom of the consumer requires an economic system to meet the full standard of “consumers’ sovereignty”, Wootton ingeniously showed that the idea of full consumer sovereignty—in which the whole pattern of production is viewed as being organised in response to the set of preferences of individual consumers—is really an economist’s fantasy that exists only in the most abstract models, and which ignores the complexities of real-world economies, with their agglomerations of market power, their unaddressed externalities, and the ways in which producers can act (e.g. through advertising) to mould and transform consumers’ preferences to reflect producers’ interests. The critics of planning, as Wootton persuasively argued, “compare an ideal, theoretical consumer sovereignty (in which demand corresponds precisely to desire and all production is competitive) with the actualities of planning in a world of flesh-and-blood and imperfect human institutions” (Wootton 1945, 61–62). The kind of freedom of consumption that people

⁸ Which is not to overlook the contribution that even such crude planning has sometimes made to economic and social development, as detailed extensively by the renowned economic historian Robert Allen (2003).

really have reason to value turns on there simply being a *good enough* range of choices. Wootton argued that sophisticated models of economic planning could be designed so as to build in a wide range of choices of consumption into the model. This should not be confused with an attempt by planners to replicate some abstract ideal of consumer sovereignty, which is “a freedom the nature of which they [consumers] do not fully understand, and the presence or absence of which they would not even recognize!” (Wootton 1945, 63)

Wootton cycles through the kinds of freedom that are worth wanting for real-world democratic citizens, and finds them just as likely (if not more likely) to be secured in an economy marked by economic planning as in a ‘free market’ economy. On Wootton’s view (anticipating both MacCallum and Rawls), freedom is *plural*—she is more interested in specific kinds of *freedoms*, rather than ‘freedom’ as one agglomerative abstraction (Wootton 1945, 17–20). Free choice of occupation, freedom with regard to consumption, the freedoms of cultural and religious diversity, and the freedoms of the political citizen can all exist in a society that has shifted in important respects towards more conscious democratic direction of the economy, and away from the untrammelled play of markets. But, as we shall see, Wootton’s case for planning is not just a defensive rejoinder to Hayek’s schematic arguments about the ‘road to serfdom’, but also encompasses a more ambitious and positive normative dimension.

VII. BARBARA WOOTTON AND THE POSITIVE NORMATIVE CASE FOR ECONOMIC PLANNING: FREEDOM, DEMOCRACY, AND SOCIAL EQUALITY

Wootton’s positive reasons for advocating the planned economy can be placed under three normative headings, relating in turn to the values of *freedom*, *democracy*, and *social equality*. On the first matter, Wootton emphasises that, whilst the *unplanned* economy may find its putative justification in appeals to individual freedom, as soon as one shifts from a concern with merely formal freedoms to real and effective freedoms, it becomes clear that there are economic preconditions for the valuable exercise of freedom, and that we have no reason to think that these preconditions will obtain unless we act through our political institutions consciously to bring them about. Take for example the emblematic case of freedom of occupational choice. As Wootton argues, “free choice of employment will never be a reality without planning, since legal freedom of choice is a mockery if economic pressure compels the chooser to accept the first available job” (Wootton 1945, 140). As a result, *real* freedom of

occupational choice is a kind of phantom liberal freedom, which is honoured in theory, but which had not been realised in practice before states actually took themselves to be in the business of providing the economic conditions for full employment, something that can only be achieved by planned economic management. The impoverished, precarious worker can rightly charge that the market will fail to provide the reality of occupational freedom, but “Planning could give it to him” (Wootton 1945, 140). In turning the tables on the liberal critic of planning, and using the power of central liberal arguments to show the inadequacy of free market arrangements in generating the kinds of freedom worth wanting and valuing, Wootton can be seen in her 1945 book as anticipating egalitarian liberal arguments against the primacy of negative liberty (Taylor 1985), and arguments against merely formal equality of opportunity (as in Rawls 1999).

As Wootton also argues, while critics of economic planning might appeal to the sovereignty of individuals’ consumer preferences (in a way that, as we have seen above, she dismisses as in the end amounting to a kind of magical thinking), we need to realise that many of our preferences are, on closer inspection, not really (mere) consumer ‘preferences’ at all, but are our political *values*, which can only find expression in how we, acting collectively, organise the economy so as to reflect those values. If taking our social values seriously means that we want a society with reduced inequality, or with full employment, or with the protection of cultural diversity—or with the realisation of *whatever social values we may have*—then we in many cases can only realise those values when we are prepared to use the power of the state to regulate and shape socio-economic outcomes through economic planning. As Wootton puts it, “one can buy a theatre ticket, and so register a preference for a particular play; but, as we have seen, no one can *buy* full employment, however much he wants it” (Wootton 1945, 125). The same obtains for a broad range of our values—we cannot realise them in market transactions, because they are not mere preferences regarding our own consumption, but instead constitute our attitudes about the aims we should pursue through our collective institutions. They are our views about what is required by justice, or at least by the common good. And for such values to be expressed, we need to limit the scope of the market, and instead to find ways for our collective political judgements to find expression in economic life. Our values “can only be promoted by deliberate planning, and not by any commercial market” (Wootton 1945, 126). In its essence, this is best seen as a

democratic argument for economic planning; markets may be fine as mechanisms that allow us to pursue certain preferences, but our values as democratic citizens can only find expression and realisation when we have the collective means for directing the economy, and when we supplant the centrality of unplanned market activity by the required degree of collective democratic control.

Wootton's positive argument for planning therefore starts from core liberal values of freedom and democracy. It does not emphasise what we might think of as distinctively socialist premises, but instead flows out of a concern both for the preservation of meaningful modes of individual freedom, and for the value of collective, democratic agency in shaping economic processes and outcomes. Her argument also appeals to a conception of social equality which she sees as tightly connected to an ideal of democratic citizenship. A planned economy would need, on Wootton's view, a high degree of democratic vigilance from citizens, with a dispersal of power from the centre to each locality, and with what one might think of as a structure of subsidiarity to make sure that the instantiation of a general economic plan was always sensitive to local needs and local problems.⁹ This kind of localism she saw both as helping to foster, but also in depending for its success upon, a kind of engaged social egalitarianism, where individuals came to see themselves more as democratic citizens working with others to realise shared goals, and less as isolated consumers.

As Wootton saw it, "the last and greatest defence of freedom under planning lies in the quality and attitude of the people" (Wootton 1945, 155). This "quality and attitude" would have two related and interdependent features: on the one hand, a kind of "democratic competence" (156) or (variously) "democratic confidence" (157) and, on the other hand, a general attitude of social equality, which would allow individual citizens to see themselves as valuable cooperating participants in the shared enactment of a collective political project, and not merely as people who should get used to being pushed around, whether by unbridled market forces or by those with power over them. Wootton therefore saw the development of the democratic planned economy as going hand-in-hand with an egalitarian transformation of social relations, of a kind that would

⁹ In her combination of a concern for democratic input into the direction of the economy, staunch social egalitarianism, and a view of active localism as being intimately connected with both these democratic and egalitarian aims, one can plausibly see Wootton as an advocate of 'community wealth building' *avant la lettre* (see Guinan and O'Neill 2019a, 2019b).

(especially in the British context) require the dismantling of the worst aspects of the class system, and especially an end to class-segregated schooling. As she puts it, "Freedom will never be secure till no one recognises others as his betters" (157). What she leaves us with, therefore, is a model of a kind of virtuous circle—a mutual interdependence between the goals of achieving a society that would, at the same time, be more democratic, more egalitarian, and more freedom-promoting, than a de-regulated market society.

As Wootton argues towards the conclusion of her book: "The problem of freedom under planning thus resolves itself in the end into a circle that can be either vicious or virtuous: it is the citizens of a wisely planned society who are least likely to fall victims to the dangers of planning, and *vice versa*" (Wootton 1945, 157) In her condemnation of the failures of the Soviet Union, Wootton showed that she was well aware of how a planned economy could be enacted in a *vicious* way, and in a way that ran counter to democratic political values; but she provides a powerful argument for why that is no good reason to throw out the more general aspiration for a more planned form of economic organisation, which would be more democratic *precisely because* it allowed the expression and enactment of citizens' shared values through their direction of the shape of economic development. The *democratic* enactment of a more planned economic system remains a compelling political aspiration, seen as an integral part of a shift towards a society that would take values of *freedom, equality* and *democracy* seriously, and which looks to promote each of those values as a precondition for the enactment of the others. Wootton therefore provides a bracing normative case for a shift towards more fully planned economic systems, with an argument that combines an empirically grounded appreciation of the complexity of real-world economies, a rejection of the lure of simple dichotomies, and a robust appreciation of the demandingness of these widely-shared, but often inadequately realised, political values. Wootton lays out an ambitious and powerful line of argument to which, in our view, contemporary political philosophers would find it productive to attend, and which has been unjustly allowed to fall into neglect.

VIII. CONCLUSION: AN AGENDA FOR RECOVERING THE CASE FOR DEMOCRATIC PLANNING

We acknowledge that this has of necessity been a rather rapid tour through some of the ways in which the case for (nuanced and partial)

forms of economic planning have been made by a number of social democratic and democratic socialist theorists. Our hope is that this article can realise three aims: the first is to contribute towards a shift away from all-or-nothing views on planning, and especially away from the kind of out-of-hand rejections of economic planning that have been all too common among political philosophers coming from various parts of the ideological spectrum. There are rich, difficult and substantive normative and empirical questions at play when we think about the forms and degree of economic planning which may or may not be desirable and justifiable, and the discussion of these issues in political philosophy and political economy should attend honestly to that complexity. Our second aim is to encourage more engagement with the assessment of the real history of economic planning as has emerged in different places and at different times, given that when planning mechanisms of various kinds have been tried by different governments, these have in general been as more-or-less successful attempts to find institutional responses to perennial normative problems of large-scale economic organisation. And lastly, we hope that this article may encourage renewed attention from political philosophers and political theorists with the sometimes neglected work of some of the great theorists of economic planning for democratic societies, and especially to the powerful arguments of James Meade, Stuart Holland, and Barbara Wootton, all of whom can justly be described as political economists whose work combined powerful economic insight with a truly impressive philosophical sense of the normative significance of the problems on which they were writing. There is much to be gained in political philosophy from careful engagement with their work.

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