

# THEORY and SOCIEY

Renewal and Critique  
in Social Theory

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## Notes

1. Karl Marx, *Das Kapital*, 3 vols. (Berlin: Dietz, 1962), I: 79f. For discussion, see Frank Partin, *Marxism and Class Theory: A Bourgeois Critique* (New York: Columbia University Press, 1979), 145–147, and Bart Tromp, *Karl Marx* (Meppel: Boom, 1983), 89–90.
2. In this introduction, as in the debate between van der Veen and Van Parijs and their critics to follow, “socialism” means what Marx called the “first phase of communist society,” ruled by a “dictatorship of the proletariat,” which he expected to usher in a “more advanced phase of communist society” that would share out the social product “to each according to his needs.” Cf. Karl Marx, “Critique of the Gotha Programme,” in idem, *The First International and After*, ed. David Fernbach (Harmondsworth: Penguin, 1974), 346–347, 355 (italics omitted).
3. Marx, *Kapital*, 3: 454.
4. As Engels put it, sententiously, in his “Speech at the Graveside of Karl Marx” (17 March 1883): “Just as Darwin discovered the law of development of organic nature, so Marx discovered the law of development of human history” (quoted by George Lichtheim, *Marxism: An Historical and Critical Study*, 2d ed. [New York: Praeger, 1965], 237 n). Cf. Friedrich Engels, *Herr Eugen Dühring’s Revolution in Science*, trans. Emile Burns, ed. C. P. Dutt (New York: International, 1939), 173–175, 292–310; Lichtheim, *Marxism*, 235–238, 241, 256; Alvin W. Gouldner, *The Two Marxisms: Contradictions and Anomalies in the Development of Theory* (New York: Seabury, 1980), 239–246; and Tromp, *Karl Marx*, 149–153. On the conceits and pitfalls of “scientism” generally, don’t miss F. A. Hayek, “Scientism and the Study of Society,” in idem, *The Counter-Revolution of Science: Studies on the Abuse of Reason*, 2d ed. (Indianapolis, Ind.: Liberty, 1979), 19–182.
5. “. . . [T]he economy had not polarized. . . . [T]he working class was not growing poorer but was steadily improving its living conditions. . . . The old catastrophe theory then fit everyday life even less than it had. . . . [A]gainst this background. . . there arose the sense among many European socialists that. . . something had gone profoundly wrong with Marxism. . . . [S]ome Marxists began to wonder whether revolution was. . . necessary, while others wondered whether it was. . . possible” (Gouldner, *Two Marxisms*, 136–137, italics omitted).
6. Verly, “Lenin. . . was no less a revisionist than Bernstein. . . . Neither any longer saw revolution as grounded in economic necessity” (ibid., 138, italics omitted).
7. John Maynard Keynes, *The General Theory of Employment, Interest and Money* (London: Macmillan, 1973), 383.

## A capitalist road to communism

ROBERT J. VAN DER VEEN AND PHILIPPE VAN PARIJS

*University of Amsterdam: University of Louvain-la-Neuve and the Belgian National Science Foundation*

Prospects for the Left look bleak indeed. Electoral disasters (on the British pattern) and policy U-turns (on the French pattern) have reinforced the suspicion that socialism may forever remain out of reach. Even worse, actually existing socialist societies have repeatedly failed to provide an attractive picture of socialism. Compounded by mounting disillusionment with the achievements of State intervention in the West, this failure has shaken many people’s faith in the very desirability of socialism.

In this article, we argue that this predicament provides no legitimate ground for dismay, cynicism, or despondency — not because true socialism is different, or because it is possible after all, but because the Left need not be committed to socialism. We believe there is another way forward, a radical alternative to socialism, that combines feasibility and desirability to a surprising extent and that is, therefore, well worth considering.

This belief is unorthodox enough. It implies, among other things, that the “working class,” even rather broadly defined, is not the social force that the Left should systematically identify and side with.<sup>1</sup> Nonetheless, the arguments we shall put forward in support of this belief are fairly orthodox. Indeed, we believe they are fully consistent with Marx’s ultimate views on the sort of future we should struggle to realize, as well as with his claim that material conditions determine which struggles make historical sense. Our putting forward these arguments does not mean we are fully convinced by the conclusion to which they lead. But we *are* fully convinced that a serious discussion of this sort of conclusion and argument is urgently needed.

There is one question about our scenario that many readers are likely to ask and to which no reply can be found in this article: granted, if only for the sake of the argument, that the path we sketch is economically feasible as well as ethically desirable, where are the social movements and political forces that are both willing and able to help our societies along it? We believe that this question is of the utmost importance and that some lineaments of an answer exist.<sup>2</sup> But we also think that the questions we tackle in this article are logically prior, and hence that it is with them, and not with political feasibility, that we should be concerned in the first place. We have sympathy for those — mainly economists — who say one should not waste time investigating the ethical desirability of a scheme that is not economically workable. And we understand those — mainly philosophers — who say there is no point in investigating the economic feasibility of a proposal that is ethically unacceptable. But denying the usefulness of investigating either economic feasibility or ethical desirability before having established, or at least discussed, a scheme's political chances, is unwarranted and irresponsible. For what is politically feasible depends largely on what has been shown to make economic and ethical sense. In any case, our ambition, in writing and publishing this article, is not to provide a full-fledged plea — at several junctures, we will point out important gaps that would need to be filled — but merely to set the stage for a meaningful discussion about whether the transition path described is, if feasible, desirable and, if desirable, feasible.

### Does communism require socialism?

From a Marxian standpoint, “socialism” is not an end in itself. It is a means, indeed the best means or even the only means, to reach true communism. The term “socialism” here covers what Marx calls the lower stage of communism in the *Critique of the Gotha Programme*. It refers to a society in which workers collectively own the means of production — and in which therefore they collectively decide what these should be used for and how the resulting product should be distributed, namely according to the principle “To each according to his labor.” “Communism,” on the other hand, refers to the higher stage of communism, as characterized in the *Critique of the Gotha Programme*. It is defined by the distribution principle “From each according to his abilities, to each according to his needs” — which implies at least that the social product is distributed in such a way (1) that everyone's basic needs are adequately met, and (2) that each individual's share is entirely indepen-

dent of his or her (freely provided) labor contribution.<sup>3</sup> Socialism, as defined, implies that “exploitation” is abolished — workers appropriate the whole of the social product — while communism, as defined, implies that “alienation” is abolished — productive activities need no longer be prompted by external rewards.

Why then do we need socialism? Why can't we move straight into communism? There are two standard answers to these questions. One is that communism is utopian as long as man is what capitalism has made him: we need socialism to reshape man, to get rid of his selfishness, his *Selbstsucht*, and to turn him into the altruistic person communism requires. The second answer is that communism is bound to fail under conditions of scarcity: we need socialism to develop the productive powers of humankind and thus create the state of abundance in which alone communism can flourish. Both these answers consist in a conjunction of two propositions: (1) the possibility of communism depends on the development of altruism/productivity, and (2) such development is better served by socialism than by capitalism, by the collective ownership of the means of production rather than by their private ownership. Both answers fail, we believe, because at least one of the propositions of which they consist is indefensible.

### Is altruism really necessary?

One may well doubt that (democratic) socialism is better than capitalism at promoting altruism, i.e., that involvement in collective decision-making about production would make people less selfish than they are in a system in which production decisions are mediated by the market. For the sake of argument, however, let us suppose that this is the case. This does not give socialism a decisive advantage over capitalism as a way of approaching communism, because the latter does *not* require altruism. (Indeed, if it did, those who reject communism as irredeemably utopian would be right.) To see this, let us look more closely at how the transition to communism is supposed to proceed.

Even at the lower stage of communism, as Marx describes it in the *Critique of the Gotha Programme*, part of the social product is distributed according to needs — whether to meet the individual needs of those unable to work or to fulfil collective needs. The transition to full communism can then be viewed as a gradual increase of the part of the social product distributed according to needs vis-à-vis the part distributed ac-

according to labor contributions.<sup>4</sup> Progress along this dimension does require that material rewards should gradually lose their significance, but does not entail that workers should be increasingly driven by altruistic motives. To start with, nonmaterial rewards (respect, esteem, prestige, fame, glory, and the like) could be substituted for material ones as a way of motivating people to perform the required amount of work.<sup>5</sup> Moreover, the content of work, its organization, and the human relations associated with it could and should be so altered that extrinsic rewards, whether material or not, would be less and less necessary to prompt a sufficient supply of labor. Work, to use Marx's phrase, could and should become "life's prime want."<sup>6</sup>

By proceeding along this dimension – the improvement of work up to the point where it is no longer work – the transition to communism need not rely in any way on the development of altruism, nor indeed on any other transformation of human nature. It takes persons and their preferences as they are, but alters the nature of (paid) work up to a point where it is no longer distinguishable from free time. Even if we grant that only socialism can turn people into altruistic beings, therefore, it does not follow that socialism is indispensable to reaching communism.

#### **Is socialism better suited to the pursuit of abundance?**

Though socialism is not needed to get rid of selfishness, it may still be needed to get rid of scarcity. For as Marx repeatedly stressed, the growth of the productive forces (in a sense to be specified below) plays an irreplaceable role in the transition scenario sketched above. More precisely, productivity growth defined as an increase of output per unit of effort – taking both the length *and* the unattractiveness of labor into account – is essential to make room for a substantial improvement in the quality of work, and hence for an increase in the proportion of the social product that can be distributed regardless of labor contributions.<sup>7</sup>

The question, then, is not whether productivity growth, in the relevant sense, is indispensable to the advent of communism – it certainly is – but rather whether socialism is superior to capitalism as a means of achieving productivity growth. Marx did believe that there is a decisive argument to this effect. In both the 1859 *Critique* and in various passages of *Capital*, he argues that the development of the productive forces is *fettered* under advanced capitalism: the productivity of labor grows at a rate that is lower than it would be if relations of production were

changed, i.e., if socialism were substituted for capitalism. This is because profit maximization, which competition forces capitalists to seek, does not necessarily coincide with the maximization of labor productivity or – what comes down to the same thing – with the minimization of the amount of labor that is required directly (as "living labor") or indirectly (as "means of production") to produce one unit of output. Suppose a technique that uses comparatively much capital (or indirect labor) and little living (or direct) labor performs better, according to the latter criterion, than another technique, which requires more direct labor but less capital. It may nonetheless be against the capitalist's interest to introduce it, essentially because, when using direct labor, he need pay only the workers' wages, but when using indirect labor, the price he must pay includes not only the wages of the workers who performed it, but also the profits derived from it by the capitalists employing these workers. Hence there are techniques that would enhance the productivity of labor but will never be introduced under capitalist relations of production. This argument plays an absolutely crucial role in Marx's overall vision of history, because this "fettering" of the productive forces is the fundamental reason why, in his view, capitalism is but a transient mode of production. Marx gives no other argument in support of his claim that capitalism fetters the development (as distinct from the use) of the productive forces. And nothing but such fettering can, according to historical materialism, necessitate the replacement of capitalism by socialism.<sup>8</sup>

This argument is flawed, however, not because capitalism really does select techniques so as to maximize the productivity of labor, but because a rational socialist planner would not do so either. This is the case, first of all, because labor is not the only primary factor. Natural resources are scarce, and how much of them various possible techniques use up is clearly relevant to making a rational choice among them. Moreover, even if labor were the sole primary factor, selecting techniques in such a way as to maximize labor productivity would be justified only under very special conditions, if one is to maximize utility from consumption per capita for a given working time. (And what is the point of producing if not to consume, and the point of consuming if not to derive utility from it?) That there may be situations in which choosing the technique that minimizes labor time makes no sense becomes obvious if you consider the following example.

Suppose you have ten more years to live. You now produce your bread with a highly labor-intensive technique. If you build a mill, the labor

time required, whether directly or indirectly, to produce one loaf of bread will be cut by half. Nonetheless, if it takes you ten years to build the mill, you will wisely stick to your less "productive" old ways. Moreover, even if you lift the assumption of a finite time horizon (which makes some sense for a rational planner) and disregard the transition period from one technique to another (to consider so-called "steady states"), it can still be shown that the maximization of labor productivity is only defensible as a criterion of technical choice if both the rate of accumulation and the rate of time preference are zero, i.e., if there is no growth and future consumption is valued as much as present consumption. When these strong conditions do not hold, rational socialist planning will deviate from such a criterion by attributing a greater weight to labor that needs to be performed one or several periods in advance of the production of consumption goods. (How great the weights need to be depends on the rates of accumulation and of time preference). In so doing, socialist planning uses a criterion that need not coincide with, but is bound to approximate pretty closely, capitalist profit maximization. Consequently, if rational socialist planning is the appropriate baseline for comparison, no significant "fettering" can be expected from technical choice under profit-maximizing capitalism.<sup>9</sup>

Thus, the central theoretical argument in favor of socialism's superiority for productive development is flawed. Moreover, the empirical evidence is hardly encouraging. On the opposite side, apologists of capitalism are keen to stress that the rules of the capitalist game provide producers with strong incentives to introduce productivity-enhancing innovations. Indeed, they often force them, if they are to survive at all, to fight off the routine and inertia into which they would sink under a mellow system, and to further develop the productive powers of humankind. If "abundance" in some sense is a key condition for the realization of communism and if the development of the productive forces, as understood above, constitutes the way of reaching it, should not a rational pursuer of communism frankly opt for capitalism? Of course, capitalism as such offers no guarantee that the quality of work will be improved, that more and more will be distributed according to needs, or that increased productivity will be reflected in reduced effort rather than in growing output. But as we shall see shortly, one key institutional change *within* capitalism could turn such tendencies into endogenous features of the system.

### Is socialism morally superior?

Before describing this institutional change and examining its consequences, let us briefly pause to consider an alternative tack that defenders of socialism might want to take. The whole discussion so far assumes that the superiority claimed for socialism over capitalism is of an instrumental nature: socialism is (normatively) superior to capitalism because it is a better instrument for helping society along on the road to communism, whether by promoting the development of altruistic dispositions or by fostering more effectively the growth of labor productivity.

But there is another, *directly* ethical way of justifying socialism against capitalism: not as a more effective way of getting somewhere else, but as *intrinsically* more just, and therefore better, than capitalism. After all, as pointed out earlier, it follows from the very definition of (ideal) socialism that it abolishes exploitation. One may therefore expect exploitation to be much less present, if at all, in actual socialism than in any version of capitalism we may dream of. And this in itself may suffice to justify our preference for socialism over capitalism, especially when one realizes that communism only constitutes the notional and unreachable end of a transition that is bound to drag on forever, even under the most favorable circumstances. Even if capitalism could take us more safely or faster in the direction of communism, therefore, it may still be wise to choose socialism, because choosing capitalism would have the intolerable implication that exploitation would be with us forever.

This objection presupposes that exploitation can be precisely defined so that it is possible both (1) to say that exploitation is intrinsic to capitalism, and (2) to construct a cogent case in support of the claim that exploitation is ethically unacceptable. And showing that this is possible is far trickier than is commonly assumed. Nonetheless, we believe the objection is a serious one and one that deserves careful consideration.<sup>10</sup> In this article, however, we want to stick to a fairly orthodox Marxian framework. And for Marx, questions of justice and other ethical considerations were, if relevant at all, secondary. What really matters, when assessing a mode of production, is not how fairly the social product is shared out, but how effectively it spurs productive development in the direction of full communism. We therefore keep to the instrumental perspective adopted in the previous sections, and now turn to the question of how capitalist development could be geared to the advent of communism.

### “Social income” and the pursuit of communism

Capitalism as such does not imply that any part of the social product should be granted to anyone who contributes neither labor, nor capital, nor natural resources. But it does not exclude it either. It does not exclude the possibility of a “social income” whose recipients need not contribute anything to production at the time they receive it. It is of crucial importance, however, to distinguish between different formulas of “social income” in this sense.

Some of them are just indirect wages. They involve an indirect connection with labor contribution. For example, the right to a “social income” may be restricted to those who are unable to work or unable to find work, as is roughly the case with unemployment benefits in advanced capitalist countries. Or it may be extended to people who freely choose not to work, but subject to the proviso that they have in the past performed some specified amount of labor, as in Edward Bellamy’s utopia recently revived, in a less rigid version, by Gunnar Adler-Karlsson, André Gorz, and Marie-Louise Duboin.<sup>11</sup> In all such cases, labor — or at least the willingness to work — remains the basis of the entitlement to a “social income,” and increasing the size of the latter cannot be construed as a move toward distribution according to needs.

Other formulas, however, grant a genuine guaranteed income: the connection with labor contribution is completely severed. This is the case, for example, when any household whose income from other sources falls below some specified minimum is entitled to a transfer payment *making up for the difference* — which is roughly the way in which basic social security actually works in several advanced capitalist societies. And it is also the case when every individual, whatever his or her income from other sources, is entitled to an *unconditional grant*, the level of which depends only on such variables as age and degree of handicap (as rough proxies for basic needs) — an old idea advocated by Bertrand Russell<sup>12</sup> that has recently become the focus of growing interest throughout Western Europe.<sup>13</sup>

In the case of these last two formulas, it makes sense to say that an increase in the level of the “social income” moves us closer (ceteris paribus) to communism, as defined by distribution according to needs. In both cases, it is possible to say that in any economy (defined by its technological level, its stock of labor power and capital, and the preference schedules of its members) some positive levels of a “guaranteed income”

are sustainable, while others are not. And in both cases, it is therefore in principle possible to determine a maximum sustainable level of the “guaranteed income” (with given technology, stocks, and preferences), which the pursuit of communism within capitalism should constantly aim for.<sup>14</sup> Nonetheless, it is of paramount importance to see that the consequences associated with these two versions are by no means the same: whereas the former version would lock the transition to communism in a dead end, the latter provides a promising way of effecting it.

### The case for a universal grant

The key point is that a *make-up guaranteed income* — whereby transfer payments are added to income from other sources up to the level of the guaranteed income — not only stigmatizes all those who “live off benefits.” It also unavoidably imposes a minimum wage: no one will accept a job (even a job one would much like to do, though not for nothing) for less than the guaranteed income, because accepting it would mean becoming financially worse off than one would be without working (due to the cost of child care, of transport to and from work, etc.). At first sight, this seems to be a consequence we should welcome. But as soon as the make-up guaranteed income reaches a level that is not negligible, it catches all those whose skills are such that they could not market them for a higher wage, in the so-called unemployment trap. Moreover, it constitutes a strong disincentive against sharing out the jobs of those whose part-time work would only earn them less or little more than the guaranteed income. Of course, the higher the relative level of the guaranteed income, the more people get caught in the unemployment trap, and the more one’s choice is restricted to working a lot (to make it “worth it”) and not working at all (and “living off” the others’ work). Capitalism with a substantial make-up guaranteed income, therefore, will be attractive neither to those who will feel excluded from work nor to those who will feel they bear all the burden. Moreover, it will be very expensive financially speaking, because the taxes required to support it will need to be raised from a shrinking tax base.

If, on the other hand, guaranteed income takes the form of a *universal grant*, unconditionally awarded to every citizen, things are different indeed. Because citizens have an absolute right to this grant whatever their income from other sources, they start earning additional net income as soon as they do any work, however little and however poorly paid it may be. Combined with some deregulation of the labor market (no adminis-

trative obstacles to part-time work, no compulsory minimum wage, no compulsory retirement age, etc.), the universal grant would make it possible to spread paid employment much more widely than it is now. Consequently, if the guaranteed income takes this form, its growth need no longer generate acute tensions between the overworked who feel exploited and the jobless who feel excluded. Moreover, it also follows — however paradoxical it may seem — that awarding a decent basic income to all may be, under appropriate conditions, much “cheaper” (in terms of marginal tax rates), and therefore more realistic, than awarding it only to those who “need” it.<sup>15</sup>

### The economic consequences of a universal grant

Consequently, if communism is to be approached within a capitalist society, it must be by way of raising as much as possible the guaranteed income in the form of a universal grant. Note that this maximization could be conceived in either absolute or relative terms. Maximizing the guaranteed income in absolute terms could be justified on the basis of John Rawls’s well-known “difference principle”: it would amount to eliminating all income inequalities that are not required if the least advantaged — here identified as those who have no income, in cash or kind, apart from the guaranteed minimum — are to be as well off as possible.<sup>16</sup> Such an elegant way of combining the imperatives of equality and efficiency may seem attractive to many.<sup>17</sup> But it does not coincide with the Marxian objective of abolishing alienation, which implies instead, at least as a first approximation, that the guaranteed income should be maximized in relative terms. Communism is achieved when the whole social product is distributed irrespective of each person’s contribution, *not* when the share each gets irrespective of his contribution reaches some absolute threshold.

Of course, whatever the level of technology, the amounts of labor and capital available, and individual preferences, it is always “possible” to set the universal grant (and hence the tax rate) at 100 percent of per capita disposable income, i.e., to tax all gross incomes so that everyone has the same net income after taxes. But this would, in all likelihood, generate such a drastic fall in the supply of both capital and labor, and hence in the size of the social product, that per capita income (now equal to the universal grant) would no longer cover fundamental needs. Consequently, the Marxian criterion should be construed as implicitly imposing a constraint on the maximization of the relative share of society’s total

product distributed according to needs: this share should be and remain large enough, in absolute terms, to secure the satisfaction of each individual’s fundamental needs. Due to insufficient technical progress, insufficient capital or skill accumulation, or excessive aversion to working or saving, some economies are unable to meet this constraint. But others may have reached a state of “abundance” in the weak sense that an unconditional guaranteed income could viably cover everyone’s fundamental needs. As productivity (in the comprehensive sense, which takes the unattractiveness of labor into account) increases, the maximum relative share of the guaranteed income compatible with this constraint increases steadily, up to the point where “abundance” is reached in the stronger sense that all fundamental needs could sustainably be met without labor being differentially rewarded.<sup>18</sup>

We do not believe that advanced capitalist countries have achieved anything like abundance in this strong sense required for the implementation of full communism. But we do believe that they have achieved abundance in the weaker sense specified above: they could grant each of their members a sustainable universal grant — though not necessarily a sustainable make-up guaranteed income — that would be sufficient to cover his or her fundamental needs. Of course, such a claim, once made precise (what are “fundamental needs”?), can only be established by informed simulation and actual experiments. It is not the purpose of this article to undertake the important task of assessing this empirical claim. In the remaining pages, we want to focus instead on the following question. Let us suppose that the empirical claim just made is correct. Let us suppose, in other words, that technology, stocks, and preferences are such, in advanced capitalist countries, that it is possible to provide everyone with a universal grant sufficient to cover his or her “fundamental needs” without this involving the economy in a downward spiral. How does the economy evolve once such a universal grant is introduced?

A precise answer to this question would obviously require that one specify the way the universal grant would be financed (indirect or direct taxation, progressive or proportional), the way it would be modulated according to age, the extent to which it would replace or supplement other public expenditures, and so on. In very general terms, however, it can be said that introducing such a universal grant need not cancel capitalism’s endogenous tendencies toward productivity increases. But it would twist these tendencies so that productivity in the comprehensive sense (amount of effort, rather than simply of labor time, per unit of product) will be promoted more effectively than before. For workers’ unconditional-

al entitlement to a substantial universal grant will simultaneously push up the wage rate for unattractive, unrewarding work (which no one is now forced to accept in order to survive) and bring down the *average* wage rate for attractive, intrinsically rewarding work (because fundamental needs are covered anyway, people can now accept a high-quality job paid far below the guaranteed income level). Consequently, the capitalist logic of profit will, much more than previously, foster technical innovation and organizational change that improve the quality of work and thereby reduce the drudgery required per unit of product.

The growth of productivity in this comprehensive sense does not guarantee that the economy will move toward communism as defined above. It only provides a necessary condition for it. When less drudgery, less disutility, is required to produce a given social product, more of the latter *could* be distributed according to needs rather than according to contributions, without this reducing the absolute level of the universal grant. Whether and to what extent the relative share of the universal grant will actually rise, however, depends on whether and how far this possibility is seized through political decisions to raise the average rate at which gross income is (directly or indirectly) taxed. It is obvious that nothing of the sort will be done if growth is the overriding objective. *If* instead there is a political will to use increased productivity for changing the distribution pattern (and thereby reducing the effort prompted by differential rewards) rather than for increasing output, capitalist societies will smoothly move toward full communism.

### From supply-side economics to political ecology

The "Laffer curve" of supply-side economics provides us with an effective (though oversimplified) device for depicting the range of choices open to a society.<sup>19</sup> For a given technology, a given pattern of individual preferences between income and leisure, and a given (potential) labor force, one can picture both the amount of effort elicited from the population and (consequently) the total product as decreasing functions of the tax rate (supposed to be uniform). On the other hand, total receipts, which are given by the total product multiplied by the tax rate, and coincide (to keep things simple) with the part of the total product distributed in the form of a universal grant, first increase and then decrease as the rate of tax rises. Note, however, that the total product (or income) we are talking about here only corresponds to the *taxable* product (or income). As the tax rate increases, the actual total product may well fall at a much

slower rate, as people replace market production by household production, monetary by non-monetary transactions, and consumption outside the firm (wages) by consumption within the firm (say, comfortable offices and business trips).

A policy that gives a guaranteed income for all a high priority could be guided by at least four distinct principles: it could attempt

- (1) to maximize the total product (both actual and taxable) under the constraint that the universal grant should reach a given minimum level ("growth-oriented" criterion);
- (2) to maximize the absolute level of the universal grant ("Rawlsian" criterion);
- (3) to maximize the relative level of the universal grant (as a proportion of total taxable income) – which amounts, under our assumptions, to maximizing the tax rate – under the constraint that its absolute level should not fall below some given minimum level ("Marxian" criterion); and
- (4) to maximize equality, as approximated by the ratio of the universal grant to the actual total product, subject again to the (not necessarily binding) constraint that the universal grant does not fall below some minimum level ("equality-oriented" criterion).

The tax rate set in accord with criterion (4) must necessarily lie somewhere between the tax rates set in accord with criteria (2) and (3). For suppose that actual income and taxable income behave in nearly the same way, i.e., that as the tax rate goes up, people tend to replace activities yielding taxable income by pure leisure. Then the ratio of the universal grant to taxable income will hardly be different from the ratio of the universal grant to actual income, and maximizing equality (criterion (4)) will then practically be equivalent to maximizing the rate at which market incomes are taxed (criterion (3)). At the other extreme, suppose that taxable income is strongly affected by changes in the tax rate, while actual income is hardly affected at all – i.e., that taxable production is nearly fully replaced by (just as unequally distributed) nontaxable production. Then the ratio of the universal grant to the actual total product mirrors closely the absolute level of the universal grant, and maximizing equality (criterion (4)) is then practically equivalent to maximizing the tax yield (criterion (2)). One possible configuration of the four choices is given in Fig. 1.

### The Laffer curve and the universal grant

The Y curve represents the level of a country's taxable social product.



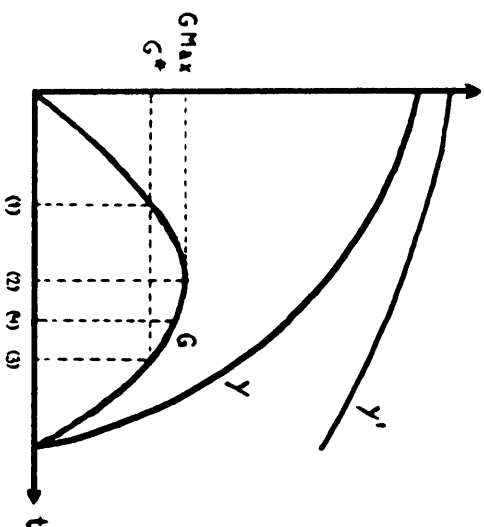


Fig. 1. Static criteria of choice

$t$ : uniform tax rate

$Y$ : taxable social product

$Y'$ : total social product

$G$ : aggregate universal grant

$G^*$ : level of  $G$  covering everyone's basic needs

$G_{Max}$ : maximum sustainable level of  $G$

(1): growth-oriented criterion

(2): "Rawlsian" criterion

(3): "Marxian" criterion

(4): equality-oriented criterion

The  $G$  curve represents the part of that product absorbed by taxes (the total tax yield). The shape of these curves indicates how a labor force will respond to changes in the tax rate  $t$  when the entire tax yield  $tY$  is redistributed among the general population by means of the universal grant (i.e., when  $tY$  equals  $G$ ). As the tax rate rises from 0 to 100 percent, the workers' incentive to supply productive effort will decline steadily to 0, and (assuming a given technique of production) the taxable social product  $Y$  will fall correspondingly.

To explain the shape of the Laffer curve (the tax yield curve  $G$ ), consider the net effect of a small rise in the tax rate. Raising the tax rate increases the proportion of the taxable social product going to grant recipients (the redistributive effect) but also reduces the amount of labor supplied, and therefore the size of the taxable social product itself (the incentive ef-

fect). The relative impact of these two effects, and hence the net effect of the small rise of  $t$  on  $G$ , varies with the absolute level of the tax rate. If  $t$  is relatively low, the redistributive effect will dominate the incentive effect: the rise of  $t$  will be greater than the fall of  $Y$  it induces, and therefore the level of the universal grant  $G$  will rise as the tax rate rises above 0. If  $t$  is relatively high, however, the incentive effect will dominate the redistributive effect, and  $G$  will fall as  $t$  rises to 100 percent. At a tax rate somewhere between 0 and 100 percent, the incentive effect will exactly offset the redistributive effect. This is  $G_{Max}$ , the peak of the Laffer curve.

Figure 1 describes a state of abundance in the weak sense that the minimum sustainable level of the universal grant exceeds the minimum level required to cover everyone's fundamental needs. In such a state, as argued earlier, the most obviously Marxian criterion is criterion (3): pursuing communism means that the tax rate is raised as high as possible, but not high enough to jeopardize the satisfaction of everyone's fundamental needs. Yet the diagram makes it clear that this choice can be justified neither in terms of making those who are worst off as well off as possible, nor in terms of equality. What criterion (3) does guarantee, however, is that the "realm of freedom" will be expanded as much as possible without letting the universal grant fall below what is required to satisfy fundamental needs. By requiring the minimization of taxable income under this constraint, criterion (3) ensures that work, and in particular unpleasant work, is discouraged as much as possible. In other words, it promotes the expansion of freedom both in the sense of shortening the average working day and in the sense of improving the average quality of work. As productivity (in the comprehensive sense) grows (see Fig. 2), the total product generated by a given amount of effort increases, and so, therefore, does the tax yield corresponding to a given tax rate. This makes it possible for the tax rate to rise without violating the constraint that the universal grant should keep exceeding the chosen minimum. As the process goes on, the share of total (taxable) income that is not distributed in the form of a universal grant gradually shrinks. At the same time — and this is what justifies the choice of criterion (3) — the working day keeps growing shorter and the quality of work keeps rising. At the limit, both processes converge in the abolition of work: free time fills the day and work is so attractive that it is no longer work.<sup>20</sup>

Consequently, for the Marxian criterion (3) to be acceptable, material growth must have, to say the least, a low priority.<sup>21</sup> Such a transition has the best chance when for some independent reasons (say, the physical

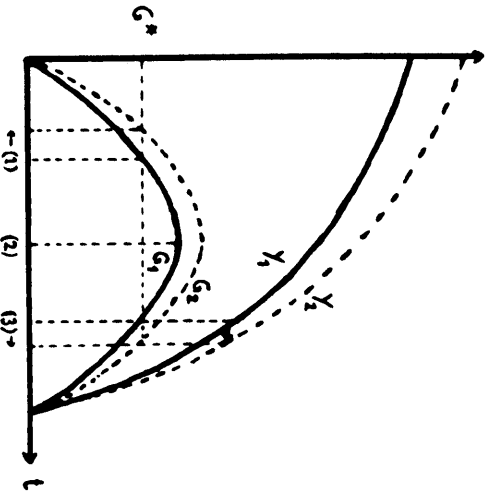


Fig. 2. Possible transitions to communism, as productivity rises over time

t: uniform tax rate

$Y_1, Y_2$ : taxable social product at times 1,2

$G_1, G_2$ : aggregate universal grant at times 1,2

$G^*$ : level of G covering everyone's basic needs

- (1): growth-oriented criterion
- (2): "Rawlsian" criterion
- (3): "Marxian" criterion

and social "limits to growth") the society concerned finds the expansion of GNP sufficiently unattractive. And an increase of free time combined with a stagnation (or even a fall, as Fig. 2 shows to be possible) of incomes can be perceived as tolerable only if the quality of the living environment is sufficiently high. (What is the point of having more free time if you live stuck between a motorway and a rubbish dump, and get no additional money to escape?) Restrained (or even negative) growth and environmental protection, it turns out, are key conditions for the full success of our Marxian scenario. And ecologism, not socialism, is required if we are ever to be able to write on our banners: "From each according to his abilities, to each according to his needs!"

### Freedom, equality, and growth

Still, one may doubt whether the "Marxian" criterion (3) is really the

most appropriate criterion. First, as already mentioned, the choice of criterion (3) may not be the most *egalitarian* one. Expanding the "realm of freedom" may mean that an increasing part of society's wealth is produced outside the formal sector, in the form of self-production, mutual help, volunteer work, etc. And nothing guarantees that the benefits of this production will be evenly spread: a childless old-age pensioner stuck in a third-floor flat in an anonymous city is not likely to get as large a share of this "autonomous" production as vigorous young people living in a rural area and firmly integrated in a closely knit network of neighbors, relatives, and friends. Precisely because of the growth of the "autonomous" sphere, therefore, even full communism would go hand in hand with quite a high level of avoidable inequality. This may incline us to favor criterion (4). But it need not. If what really matters to us – as it arguably did to Marx – is the expansion of freedom, the abolition of alienation, we need not be bothered by the persistence of substantial inequalities, because everyone's fundamental needs are covered anyway.

A second and stronger argument against criterion (3) is that the expansion of freedom should not mean only an increase in the quantity of free time vis-à-vis working time and an improvement in the quality of work, but also an improvement in the *quality of free time*. And the latter is nothing but the degree to which people are able to fulfill their desires in their free time – which is itself closely related to the level of production (stripped of externalities). Two possibilities must be distinguished here. Suppose, first, that what matters (as regards the quality of free time) is only the extent to which those who are *worst off* can fulfill their needs. One could then choose any criterion in the range between criteria (3) and (2). At one extreme, the "Marxian" criterion (3) requires only that the quality of free time enjoyed by those who are worst off should not decrease, while the "Rawlsian" criterion (2) requires that the quality of their free time should be as high as possible, at the cost of a lower share of free time in total time or of a poorer quality of working time. But suppose, next, that what one cares about is the quality of the *average person's* free time. One could then, at one extreme, maximize production under the constraint that the universal grant remains sufficient to cover fundamental needs, i.e., select our "growth-oriented" criterion (1), with the further proviso that, as productivity grows, the amount of effort required for production should not increase (i.e., the other dimensions of the realm of freedom should not shrink). At the other extreme, one could initially choose our "Marxian" criterion (3) but with the proviso that, as productivity rises, total income should not go down. There is, clearly,

a trade-off between the freedom to satisfy one's needs and freedom from drudgery. The more importance one attaches to the former, the more inclined one will be to retreat from the austere criterion (3) toward the more expansive criterion (2) or even (1).

Such a retreat receives further support if one brings in, thirdly, the causal link between growth and productivity. Restrained or negative growth, as implied by the "Marxian" criterion (3), may conceivably hinder labor-saving and labor-quality-improving innovations to such an extent that the potential for any further transition may be undermined. Using criterion (1) and maximizing growth forever, on the other hand, means that this potential builds up without ever being used. Here again there is a trade-off: between using all the existing potential to maximize freedom from drudgery for the current generation and refraining from doing so in order to improve the prospects for the next generation – assuming higher production does not deplete other resources that generation would need.

If one aims to expand the realm of freedom, the choice of the appropriate tax rate may thus be, even at this abstract level, a rather complex matter. The optimal transition towards communism may not be the one that proceeds by simply maximizing the tax rate – and thus minimizing drudgery. It may be argued that the choice of the tax rate should not only be constrained by the provision of a universal grant covering everyone's fundamental needs, but that it should be further constrained by the need to keep (actual) inequality within bounds and by the need to keep growth at a sufficiently high level for productive development to continue.

But suppose something like a universal grant is introduced – because of the intolerable consequences of having no guaranteed income system at all and because of the perverse effects associated with alternative formulas. The choice of the tax rate (and hence of the level of the universal grant) will of course not be determined by any abstract optimality calculus, whether conducted in a Marxian framework or not. It will be determined by power relationships in the context of current material conditions. It is these material conditions – basically, rapid labor-saving technical change combined with compelling constraints on economic growth – that will turn the capitalist transition to communism from a utopian dream into a *historical necessity*, not in the sense that it will happen automatically, no matter what people think or do, but in the sense that, given the material conditions, human rationality can be relied upon

to generate, sooner or later, political forces that will bring it about. A crucial part is played in this process by the exploration of alternative futures, by the investigation of their possibility and desirability – the central component of human rationality. Consequently, however sketchy and tentative, this article's argument is of a piece with the historical necessity it ends up asserting.

#### Acknowledgments

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#### Notes

1. This claim does not contradict the view – to which we adhere – that, by definition, the Left systematically sides with those who own nothing but their labor power (if that).
2. See Robert J. van der Veen and Philippe Van Parijs, "Capitalism, Communism and the Realm of Freedom: A Formal Presentation" (Louvain-la-Neuve: Institut des Sciences Economiques, Working Paper no. 8501, 1985), section 5, and Philippe Van Parijs, "A Revolution in Class Theory," *Politics and Society* (forthcoming) section 6, for an inchoate answer.
3. Note that "communism," as defined, does not entail collective ownership of the means of production by the workers, i.e., "socialism" as defined above. But it does entail collective ownership of the social product by society as a whole: while the owners of means of production, labor power, and skills decide whether and how to put them to productive use, society appropriates all income flows in order to distribute them "according to needs" to all its members. This constitutes the etymological justification for our "third" definition of "communism."
4. For a formal model of this transition from socialism to communism, see Robert J. van der Veen, "From Contribution to Needs. A Normative-Economic Essay on the Transition towards Full Communism," *Acta Politica* 18 (1984): 463–492.
5. See Joseph H. Carens, *Equality, Moral Incentives and the Market* (Chicago: Universi-

- ty of Chicago Press, 1981). If the motivation to work is provided by fear of nonmaterial penalties (social disapproval, contempt, resentment, etc.), it is questionable whether alienation has really been abolished.
6. Using Sen's terminology, it must be conceded that any society, whether capitalist or socialist, that effectively guarantees a minimum consumption level (if only to those who are unable to work) needs to rely to some extent on "sympathy" (giving weight to other people's preferences) or "commitment" (letting moral considerations override one's preferences). See Amartya Sen, "Rational Fools," in *Philosophy and Economic Theory*, ed. F. Hahn and M. Hollis (Oxford: Oxford University Press, 1979), 87–109, section iv. However, the possibility of increasing the part that is being distributed independently of labor contributions by no means requires increasing reliance on sympathy or commitment.
  7. Elsewhere, we present a very simple model in which the exact nature of relations between the rise in productivity, increase in the proportion of the social product distributed according to needs, and expansion in the realm of freedom, can be rigorously explored (van der Veen and Van Parijs, "Capitalism, Communism and the Realm of Freedom").
  8. For a lucid discussion of the concept of "fettering," in particular of the distinction between use-fettering and development-fettering, see G. A. Cohen, "Forces and Relations of Production," in *Marxism: A Hundred Years On*, ed. B. Matthews (London: Lawrence and Wishart, 1983). Some Marxists might think that Marx's work contains (implicitly) a distinct argument (based on the theory of the falling rate of profit) that could do the job much better than the explicit argument here considered. But the difficulties raised by this theory are fatal to it. See Philippe Van Parijs, "The Falling-Rate-of-Profit Theory of Crisis: A Rational Reconstruction by Way of Obituary," *Review of Radical Political Economics* 12 (1980): 1–16, and "Why Marxist Economics Needs Microfoundations: Postscripts to an Obituary," *Review of Radical Political Economics* 15 (1983): 111–124, for a systematic discussion. Moreover, the argument derived from it would equally apply to socialist economies – indeed, even more so if Marx's explicit argument discussed in the main text were correct: if socialism did not filter out some of the capital-intensive techniques that are not viable under capitalism, the organic composition of capital would rise faster and the rate of accumulation would fall more rapidly under socialism than under capitalism. Less common but more cogent arguments, may, however, be found. See Philippe Van Parijs, *What (if Anything) is Wrong with Capitalism?* (work in progress, tentative title), part 2.
  9. The formal points are made by Christian C. von Weiszäcker and Paul A. Samuelson, "A New Labor Theory of Value for Rational Planning through Use of the Bourgeois Profit Rate," *Proceedings of the National Academy of Sciences* 68 (1971): 1192–1194; Paul A. Samuelson, "Optimality of Profit-Including Prices under Ideal Planning," *Proceedings of the American Academy of Sciences* 70 (1973): 2109–2122; and Paul A. Samuelson, "The Normative and Positivist Inferiority of Marx's Value Paradigm," *Southern Economic Journal* 49 (1982): 11–18. For illuminating discussions of their relevance to the Marxist view of the difference between capitalism and socialism, see John E. Roemer, "Choice of Technique under Capitalism, Socialism and Nirvana: Reply to Samuelson" (University of California, Davis, Department of Economics, Working Paper no. 213, 1983); and Jon Elster, *Making Sense of Marx* (Cambridge: Cambridge University Press, 1985), sections 3.2.2 and 5.1.3.
  10. See Philippe Van Parijs, "What (if Anything) Is Intrinsically Wrong with Capitalism?" *Philosophica* 34 (1984): 85–102; idem, *What (if Anything) Is Wrong with Capitalism?* part I; and Robert J. van der Veen, "Can Socialism Be Non-Exploitative?" in *Modern Theories of Exploitation*, ed. A. Reeve (London: Sage, 1987, forthcoming).
  11. See Gunnar Adler-Karlsson, "Probleme des Wirtschaftswachstums und der Wirtschaftsgestaltung: Utopie eines besseren Lebens," *Mitteilungen zur Arbeits- und Berufsforchung* 4 (1979): 481–505; André Gorz, *Les chemins du paradis: Lagonie du capital* (Paris: Gallile, 1983), and "L'allocation universelle: Version de droite et version de gauche," *La revue nouvelle* 81 (1985) 419–428; and Marie-Louise Duboin, *Les qf-Français de l'an 2000* (Paris: Syros, 1984).
  12. Bertrand Russell, *Roads to Freedom: Socialism, Anarchism and Syndicalism* (London: Allen and Unwin, 1918), 81.
  13. In English, see for example Bill Jordan, *Paupers: The Making of the New Claiming Class* (London: Routledge and Kegan Paul, 1973), and *The State, Authority and Autonomy* (Oxford: Blackwell, 1985), part 3; Stephen Cook, "Can a Social Wage Solve Unemployment?" (Birmingham: University of Aston Management Center, Working Paper no. 165, 1979); Keith Roberts, *Automation, Unemployment and the Distribution of Income* (Maastricht: European Center for Work and Society, 1982); Anne Miller, "In Praise of Social Dividends" (Edinburgh: Heriot Watt University, Department of Economics, Working Paper no. 1, 1983), and Peter Ashby, *Social Security after Beveridge: What Next?* (London: National Council for Voluntary Organizations, 1984). For a survey of the discussion in various European countries, see *L'allocation universelle: Une idée pour vivre autrement*, ed. Paul-Marie Boulanger, Philippe Delfey, and Philippe Van Parijs, special issue of *La revue nouvelle* 81 (April 1985), part 2.
  14. Or so it seems. Several qualifications are introduced below.
  15. This point is developed in Philippe De Ville and Philippe Van Parijs, "Quelle stratégie contre la pauvreté? Du salaire minimum garanti à l'allocation universelle," *La revue nouvelle* 81 (1985): 361–372.
  16. See John Rawls, *A Theory of Justice* (Oxford: Oxford University Press, 1972), section 13.
  17. See for example Elster, *Making Sense of Marx*, 230, who argues that Rawls's difference principle is better than the labor contribution principle as a second best to distribution according to needs.
  18. This stronger sense is akin to the one Ian Sreedman, "Some Socialist Questions" (University of Manchester: Department of Economics, unpublished, 1982), gives the term. The distinction could also be made in terms of a contrast between individual and collective freedom, which G. A. Cohen, "The Structure of Proletarian Unfreedom," *Philosophy and Public Affairs* 12 (1983): 3–33, uses in a different context. Under weak abundance, every single individual is (not just formally) free not to do any paid work, but only because a sufficient number of individuals do not make use of this freedom (individual freedom). Under strong abundance, this condition no longer applies: everyone retains the freedom not to do any paid work, even if no one else engages in it (collective freedom).
  19. The simplifications include the abstraction from any public expenditure other than the universal grant, and the absence of a capital stock constraint.
  20. For further discussion of the growth of the "autonomous" sphere see André Gorz, *Adieux au prolétariat* (Paris: Seuil, 1980) 142–155; and Philippe Van Parijs, "Marx, l'écologie et la transition directe du capitalisme au communisme," in *Marx en perspective*, ed. Bernard Chavance (Paris: Editions de l'École des Hautes Études en Sciences Sociales, 1985), 135–155, section 2.
  21. As one advocate of some form of universal grant puts it: "If we want to enter the realm of freedom, then it is absolutely certain that we must impose limits on ourselves as regards the amount of material goods" (Adler-Karlsson, "Probleme des Wirtschaftswachstums," 63).