

a selected chapter from

THE ASSOCIATIVE ECONOMY
Insights beyond the Welfare State and into Post-Capitalism

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[An overview of this book](#)
[Complete text of Chapter 11](#)

Chapter 13: NEW POLICIES AND INSTRUMENTS

1. New Tasks for the Public Sector
2. The Financial Limits of the State
3. The Future of Strategic Planning
4. Planning-Oriented Collective Bargaining
5. Planning-Oriented Social Accounting
6. Planning and the New Unionism
7. Planning and the Organized Consumer Movement
8. The 'Democratic' Meaning of Strategic Planning

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We will now attempt to conclude our analysis, in particular that devoted to the 'management problems of the change', by proceeding to a sort of condensation of a large part of the arguments dealt with, and by providing a small '*summa*' of the management policies to be adopted.

1 New Tasks for the Public Sector

The changes that are taking place in the structure of contemporary industrial society, as found in the principal Western countries (examined in the previous chapters), imply and are at the same time linked to profound *transformations in the character and modes of public intervention*.

The history of Western capitalistic societies is characterized by a *constant increase in the magnitude and scope of public intervention* (constituted by all the diverse institutions foreseen by public law: the State, local authorities, public agencies, etc.).

This simple fact in itself constitutes the 'historic proof' of the fallacy of the theory of laissez-faire, with regard to that of the opportuneness of the public regulation of social development. If the thesis were true that the intervention of the state damages economic progress, and thus also social progress, the history of capitalist societies - which have recorded numerous successes in the last two centuries - should be that of a constant economic and social stagnation or non-progress, if not regression, given the dizzy growth which public intervention has had in particular in this century. We might wonder on the other hand whether this substantial increase in the role of the public economy has not constituted an essential factor in the socio-economic progress of capitalist societies. I believe that none of today's theoreticians of laissez-faire would be prepared to claim that contemporary economies could have large growth rates, without the intervention of the state. And this bears witness - as historical proof - of the mistake of the old critics of public intervention, who claimed it was harmful, even when this intervention hardly covered 5-10% of the Gross National Product!

The increase in scope is characterized by the fact that the incidence of services promoted and supplied by the 'public hand' (which is by definition a 'visible' hand¹) has been increasing above all in connection with the great possibilities of allocating to immaterial - usually, but incorrectly, called 'tertiary' - services

the increasing quantities of resources and manpower made available by technical progress and the impressive increments in physical productivity achieved in the material goods production sectors (agriculture and industry).

Summing up what we have said in the previous chapters, once primary needs were satisfied, even with considerable population growth, effort was then addressed, with greater resources, to the satisfaction of the immaterial welfare needs (education, health, environment, recreation, etc.) that were previously satisfied at possibly more sophisticated quality levels only from a certainly far more limited portion of the population. This obviously gave rise to a constant increase in the utilization of real resources, labour *in primis*, in the public service sector. There was thus a steady rise in the numbers of medical staff, teachers, sportsmen, writers, and civil servants of every class and rank, 'intellectuals', and generally all those who, in one way or another, directly or indirectly, are paid or subsidized by the State through taxation of the product and income of the entire economy.

The increase *in magnitude* is in turn characterized by the fact that there has been an extension, in both quality and quantity, of the protective system provided by the State against all social hazards and afflictions (unemployment, disablement, illness, and finally old age). This has naturally resulted in the introduction of increasingly novel, large-scale and extensive social assistance schemes, to such a degree as to be accused of disincentivating personal initiative and enterprise. These comprise all the various forms of 'income maintenance' introduced by the Welfare State, and essentially consist in the withdrawal of resources produced by those who take part directly in the production process, for redistribution to those who do not.

But we have also seen that the Welfare State has entered an 'overload' crisis. And this deserves a *completely new attitude* by the supporters of public intervention and the Welfare State, which has nothing to do with the old *querelles* about *laissez-faire* and public intervention.

2 The Financial Limits of the State

As we have already described (Chapter 8), as the point has been reached at which, the process of 'free' (i.e. solely fiscal) provision of the new social services, and the process of 'transfer' of income (again by fiscal means) for the various, increasingly widespread forms of '*income maintenance*', have brought about a 'financial' incidence of the State on the overall real product of each country that could not easily be further increased.

At the same time, *it is by no means certain* that the 'real incidence' of social services utilized and consumed by the population should not or could not further increase in the overall consumption structure, as the expression of either an authentic preference on the part of the final consumers themselves, or of a *collective and political preference* expressed by the legitimate interpreters of popular sovereignty.

In other words, what cannot be increased is not the relative amount of real resources supplied in the real social services, but only the role of financial intermediation played by the State, because it is a source of distortion between the real wants. and the real preferences of different social categories; and is in addition a source of squandering and unnecessary bureaucracy, which often produces social costs that are disproportionate to the benefits ensured.

2.1 General Alternatives to Public Intervention

To ensure instead the desirable expansion of social services and resource utilization in the overall resource utilization structure, it would be necessary to avoid placing the corresponding burden on the taxation system, in order to avoid the inflationary repercussions (or feed-back) that tend, indeed, to nullify any reform in the resource utilization structure.

Paradoxically, it is not excluded that such rape of against the

State budget pushes it towards an increase in (monetary) public consumption, a cutting back in social consumption, and induces, through public expenditure and transfer, a resistance to desirable decline of real consumption of material and industrial goods (from food to electronics), which, on the contrary, is increasingly 'oversaturated', 'saturated' or 'saturable'. And this provokes a 'relaunching' of inflationary mechanism.

With more sophisticated *comprehensive programs of resource utilization* - established in a central planning framework, as illustrated in Chapter 11 - instead of directly taking on the management of these services, the State could develop formulas to enable the general objectives identified to be achieved by the mobilization of *other direct financial channels*, based essentially on the initiative and direct management of the users themselves. Such channels, possibly promoted or regulated or incentivated through public finance, would involve the utilization of 'private' incomes (this is the 'third sector' which we have dealt with in Chapter 11 & 12).

Thus, instead of pursuing a course of generalization, public intervention could more usefully:

on the one hand, restrict itself to the most needy cases and sectors (in both social and regional terms, i.e. those in which cultural and institutional factors rule out the autonomous assumption of civil and economic responsibilities in the fields of social consumption;

on the other hand, commit itself to 'promotional' action, incentivation and guidance, that is to say to a *planning* and programming rather than to a direct operational role.

Generalization should be pursued, in any case, not in a direct manner, but instead through the freely chosen action of present or potential users, in the forms preferred by them, possibly with collective management.

Instead of further extending free social services - or services with generalized 'political' prices i.e. costs borne by the State budget - these should instead be concentrated on only truly *indivisible* services (as they are classified by all conventional

handbooks of 'public economics'). On the other hand - with appropriate initial incentivisation - the role of moving towards self-management and financing of such services, above all the 'divisible' ones, should be left to collective (but 'private') forms of association.

In 'real' terms, this would still involve the management of the same quota of resources (the fiscal measures would still weigh equally on private income): if it is desired that this quota should increase to the benefit of *certain* social services, it may be wondered whether it would not be more efficient to act directly on the spending behavior of the users and beneficiaries, rather than through the farraginous, imperfect and imponderable instrument of taxation.

It would be necessary to find out how to 'block' the expansion of some expenditure sectors, and foster the birth or expansion of others: and this can obviously be all the more easily achieved not only the total amount of funds available increases, but also in proportion to the clarity and precision of the overall picture with regard to total funds available and all necessary and desirable items of expenditure; or in other words, to the degree of articulation and sophistication of the planning method employed. Indirect 'instruments' of public intervention, if goals were clear and quantified, would certainly not be lacking.

2.2 New Criteria for Managing Public Intervention

In many of the traditional sectors in which services are provided 'gratis' by the State, characterized by *indivisibility* of consumption, new management criteria should be adopted. As a first step, it would be necessary to introduce advanced techniques for measuring the output and effectiveness of the service provided. And in those cases where this output can only be evaluated on the basis of the users' subjective feeling of well-being, it would be advisable to introduce forms of user self-management of the service, though still in a public finance framework, linked to objective quantitative criteria.

In those cases in which, on the contrary, the service can only be evaluated in an 'objective' and political fashion (justice, defense, institutional system, public order, civil defense, etc.), modern forms of output and productivity evaluation should be introduced, with advanced cost-benefit analysis methods, with the aim of using rational methods to minimize the amount of resources used to achieve politically determined public ends.

Where their use is possible, forms of self-management of public services are instead - as was stated in the previous paragraph - the best instrument to ensure the maximum efficiency of the service itself from the users' point of view.

The transformations that are taking place in the structure of contemporary industrial society imply, therefore, a decrease in the importance of the accumulation and investment process in agriculture and industry, with respect to that which is to be obtained in the service sector. But this also tends to modify the operational model according to which the accumulation and investment process has hitherto taken place.

Indeed, with due exceptions, the accumulation process has until now been guaranteed by the profit-making expectations of the 'firms' - public and especially private - operating in the 'market', with profit as the indicator of success and essential motivation.

In widening the scope of economic activities towards 'self-managed' services (whether self-financed or otherwise) the weight of *non profit motivated* investments tends to increase enormously. This does not mean, however, that there is also a reduction in the importance of the investments themselves and of the related accumulation of resources: the process of setting aside and saving income earned and produced must therefore be attained outside the usual financial channels, motivated by profit and interest rates.

This, therefore, envisages a new important role to be played by financial sectors, linked, as regards both the collection and the utilization of resources, to 'new' activities, outside the normal financial capital markets. Totally new institutions will

consequently be required, such as the Trade Union Investment Funds (dealt with in Chapter 12).

Public economy grew up (in the Welfare State) to assure fair redistribution of the benefits of development and compensation for the inequalities produced by development itself. Public economy has aimed to ensure equal opportunities and access to services for *everybody*.

But the nearer one came to this goal, the more a widespread need emerged for differentiation and autonomy of choice. This is basically the reason for a certain disaffection towards the services provided by the State, which have at the same time become more costly in proportion as efforts are made to render them more attractive to their users.

In this situation of sought-after differentiation and growing standardization, in the dichotomy between what is wanted and what is obtained, the reality of waste has crept in.

In order to assure their availability to all, many services have been brought to levels not totally demanded; while the shortcomings of others have at the same time induced the more prosperous classes to replace them with private services more in keeping with their specific expectations. In other words, waste has become inherent to the 'public' nature of such activities, to the intention of providing a service available to *all*. And this is so without even considering the *processes of 'bureaucratization'* (that is to say unnecessary work produced by the mere existence of bureaucratic relationships), or rather assuming them to be neither more nor less likely to occur than in the private sector (which is clearly a 'heroic' assumption).

This difficult situation with regard to the public economy is combined with the increasing importance (in the structuring of 'needs' and the demand for services and also for goods) of what can be described as 'positional' goods and services, in the sense in which Fred Hirsch uses the term: goods and services which are perceived as being useful only because they are not accessible to everybody². This creates a decidedly paradoxical situation: the more the State attempts to satisfy everyone, the

less satisfied everyone is.

A reality such as this can no longer be overlooked by social reformers. And it means that new approaches are required for social reform itself, the aim of which is to offer equal opportunities to everybody. Any reformist attitude that fails to take these new facts into account, and instead sticks to the old vision of the State's role as provider of undifferentiated services that must be the same for everyone, would be the most effective ally for the dismantling of the Welfare State, going in exactly the opposite direction to people's real needs. Such an attitude would be uselessly conservative.

In those cases where the public economy produces wastefulness and dissatisfaction, it should be replaced by a free initiative and free enterprise economy: but - and this is the innovative and 'social-oriented' aspect of such an approach - these should be initiatives and enterprises not motivated by gain/profits, and would operate outside and beyond the market.

All this has therefore contributed, in all likelihood, to cause historically obsolete operative situations to survive and even to flourish unnaturally. Out of the hatred for the public economy and the State dominance which it engenders, a policy of anachronistic and inefficient 'privatization' is adopted. And vice versa, out of hatred for the market economy and the capitalist power it produces, excessive and inefficient encroachment on the part of the State is accepted and defended.

3 The Future of Strategic Planning

Therefore the 'associative' economy could constitute the *new* developing sector in post-industrial society, and could determine the characteristics, by its own values and modes of operation, of a *new type of society* (neither capitalistic nor 'etatist', but what we could term: 'social'? or 'socialist'? or, at best, 'liberal-socialist'?).

This does not imply that the public sector, the State (in all its articulations and local ramifications), on the one hand, and the market on the other, shall not in future still have a very important role to play in the overall economic system.

3.1 The New 'Regulatory' Role of the Public Sector

The State, in particular, must increasingly perfect its *role as the regulator* of development in the public interest; a role that in the capitalist nations it has hitherto performed somewhat dubiously, falling largely under the thrall of the logic and philosophy of the market economy (which must however be admitted to have been the most notable source of progress and social change from the time of the industrial revolution onward).

This role is today facilitated both by more extensive political means of intervention available (acquired by the State in the more recent evolution of political systems), and by greater understanding and theoretical knowledge of the processes and mechanisms of the relations and transactions operating in economic and social systems (such as the fundamental improvement in statistical information and the construction of economic, social and demographic accounting systems, etc.)

This regulatory role should be performed above all by determining *ex ante* - through appropriate forms of 'simulation' - the scenarios resulting from possible or desirable changes in consumption patterns, the quality of life, and the social structure of behavior and relationships, and inducing operators to negotiate preferential choices in relation to these scenarios, upon which their respective lines of action can be based³.

In Western industrial nations, which are also the most technologically advanced, the State would still appear to be very far from capable of assuming this regulatory role, and still appears to be restricted to that of *ex post* 'recorder' or 'notary' of the market economy; and this market economy is today rather dominated by the large-scale producers of the 'meso-economic' sector, which is fundamentally monopolistic or oligopolistic,

