

a selected chapter from

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

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Chapter 13: NEW POLICIES AND INSTRUMENTS

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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

