

Cooking the Books: Allocating Resources

SINCE IT was published in August financial journalists has been commenting on a paper put out by the US fund management firm Sanford Bernstein entitled 'The Silent Road to Serfdom: Why Passive Investing is Worse than Marxism'. If passive investing is worse than Marxism it must be really bad! But what is it? It's when those investing money on the stock exchange, generally for others, invest it in a fund that passively tracks an index such as the FTSE 100, rather than actively picking stocks and shares themselves.

According to the paper, this impedes 'the efficient allocation of capital'. Under capitalism investment (and so what gets produced) tends to flow towards those sectors of the economy with the highest rate of profit. The argument is that if those in charge of investing money-capital chose to invest only in companies included in an index without checking whether there are more profitable companies that are not included, then capital is not being invested in the most 'efficient' way.

The assumption here is that allocating productive resources according to what brings the highest monetary profit is the most efficient way to decide what should be produced, and when and where.

Socialists challenge this on the ground that, from the point of view of satisfying human needs, it misallocates resources. It leads to short-term projects being given priority over more useful longer-term ones. It leads to booms that inevitably end in an economic slump when production actually drops. It leads to financial bubbles. And, given the unequal distribution of income built-in to capitalism with profits being shared by a rich few and the income of the rest of us being restricted to our wage or salary, it leads to the wants and whims of the rich being given priority over the needs of the rest.

But where does Marxism come in to this? It wouldn't if the apologists in America for unrestricted capitalism hadn't spread the lie that anyone who advocates government intervention is a 'socialist', even a 'Marxist', whether they consider themselves one or not. Most in fact don't. After all, capitalism could not exist without the help of the state.

According to the Irish Times (6 September), the paper argued: 'Capitalist economies rely on the market to allocate capital, whereas Marxists attempt to "optimise the flows of capital" by central planning.'

Certainly some who have called themselves Marxists have advocated that the government should allocate 'capital' in a planned way, but this wasn't the view of Marx himself. He did of course favour the planned allocation of resources to directly meet human needs, but of resources as such (materials, energy, etc) not in the form of money-capital.

He was quite explicit about this. In Volume Two of Capital he wrote:

'If we conceive society as being not capitalistic but communistic, there will be no money-capital at all in the first place' (chapter 16, sec" on III) and that 'in the case of socialised production the money-capital is eliminated' (chapter 18, sec" on II).

To the extent that Marx may have believed in 'central planning' it would have been of actual resources and not of the distorted reflections of them in capitalist society as money-capital.
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