



# Socialism Today, Utopian and Scientific

**Bruno Jossa**

Department of Theoretical and Applied Economics, University of Naples Federico II, Naples, Italy  
Email: [bruioffa@unina.it](mailto:bruioffa@unina.it)

Received 2 May 2015; accepted 18 May 2015; published 26 May 2015

Copyright © 2015 by author and OALib.

This work is licensed under the Creative Commons Attribution International License (CC BY).

<http://creativecommons.org/licenses/by/4.0/>



Open Access

---

## Abstract

This paper argues that centralised planning has markedly utopian overtones since it envisions a system in which the day-to-day behaviour of workers is not governed by the profit motive. A system of producer cooperatives, on the contrary, is devoid of such utopian strain since the members of its constituent firms would engage in production with the aim of maximising the satisfaction associated with their work and can therefore be an alternative to the capitalism. Paraphrasing Engels, therefore, it is possible to argue that the socialism is evolving from its utopian stage to the scientific stage of the modern theory of producer cooperatives.

## Keywords

Socialism, Producers Cooperatives, Marxism

Subject Areas: Sociology

---

## 1. Introduction

The objective of my investigation is to argue that socialism must be defined as a system of labour managed firms. Centralised planning is not a possible socialism since it envisions a system in which men have not personal interest to produce. A system of producer cooperatives, on the contrary, is devoid of such utopian strain since the members of its firms would produce with the aim of maximising the satisfaction associated with their work. For this reason it is possible to argue that the socialism is evolving from its utopian stage to the scientific stage of the modern theory of producer cooperatives.

One of the most radical critics of Marx was Simone Weil. “As long as there is, on the surface of the globe, a struggle for power—she wrote [1]—and as long as the decisive factor in victory is industrial production, the workers will be exploited” because “the power which the bourgeoisie has to exploit and oppress the workers lies at the very foundation of our social life and cannot be destroyed by any political and juridical transformation”. “The very foundation of our culture, which is a culture of specialists—she concluded—implies the enslavement of those who execute to those who coordinate.” Is this apodictic argument true?

Reviewing changes associated with the financierisation of a globalised economy, the strong, though unex-

pressed need for community, as well as the “unfulfilled promises of democracy” (Norberto Bobbio), the Italian philosophical thinker Remo Bodei [2] suggested that the world was heading towards one of those radical shifts in historical perspective which due to various—as yet not univocally definable—factors might mark a turning point comparable to the breakaway of Humanists from the culture of the Middle Ages or the triumph of the spirit of the Enlightenment over a conventional worldview. In a similar vein, the well-known Italian journalist Eugenio Scalfari remarked [3]: “The present era is fading out. Its agonies are sure to drag on for a fairly long period of time. As always happens in history, the changes in ways of thinking and living which are currently under way will remain unnoticed although they are not gradual, but radical and dramatic”. Concerning the direction of these changes, I daresay that the times are ripe for the transition of the economy to a form of self-management socialism, although the political system is as yet not prepared to work towards the attainment of this goal. In *Theses on the Philosophy of History*, in 1940, Walter Benjamin pressed the need to review the “time of the now” from the vantage point of the losers, rather than the winners, and to keep memory of our oppressed ancestors.

A well-known work entitled *Socialism, Utopian and Scientific* [4] offers Engels’s brilliant outline of his own and Marx’s basic contributions to political science. In Engels’s words, both Marx and he offered ample evidence a) that history is a sequence of different modes of production, and b) that a new mode of production, far from being preordained within the mind of a scholar and subsequently implemented in practice, is but the natural outgrowth of an earlier one. Can these propositions justify the claim that a socialist revolution is forthcoming?

Until the collapse of the Soviet system, Marxists used to endorse Engels’s view that the post-capitalistic mode of production would be a centrally planned system designated as “socialism”. But can centralised planning be described as a new mode of production aimed to promote the interests of the working class?

In centrally planned systems workers are being denied any say in decision-making and consequently have no incentive to increase their work inputs and raise productivity rates. And as no economic system can function effectively unless it is driven by the private interest motive, I daresay that the call for a centrally planned system is but an exercise in utopian thinking. From my perspective, it is much more realistic to assume that the new production mode to rise from the ashes of capitalism will be a system of worker-controlled firms, viz., a system in which production will be controlled by a conscious will, but where workers will find it worthwhile engaging in production with utmost dedication. As it was written, “the enterprise is the most significant (not the only) site for progressive enhancement of socialist democracy: the world-historic reversal of the capitalist subsumption of labor to its conditions of existence” [5].

According to Norberto Bobbio [6], the “goalposts” of modern democracy are the majority rule and the underlying principle that each head is entitled to one vote, and it is hard to see why this principle should hold good for politics and not for economic processes as well. In Bobbio’s view, the precondition for extending democracy today is progressing from the political domain, the context where people are reckoned with as individuals, to the social sphere, where they are reckoned with by reference to the multiple roles they play in society [7]. And steps in this direction will be taken as soon as society starts working towards the establishment of a system of worker-controlled firms.

And Gibson-Graham said [8], “once it was the vision of socialism or communism and the experiments of the soviets in the Eastern Bloc and the communes in East Asia that configured the foreground of the Left’s economic imaginary. Today, at least for some, it is the original ‘third way’ communitarianism or a revitalized social democracy that occupies this otherwise vacated space”.

Paraphrasing Engels, therefore, it is possible to argue that the concept of socialism has been evolving from its utopian stage—its equation with centralised planning—to the stage of the modern economic theory of producer cooperatives.

## 2. Lenin and Democratic Centralism

The idea that socialism is connoted by centralised planning gained widespread recognition thanks to the work of Engels and to the political theorisations of Lenin, especially his theory of monopolistic state capitalism and imperialism as the last phase of capitalism.

The main points of Lenin’s often-quoted definition of imperialism can be summed up as follows:

1. The concentration of production and capital reaches levels at which monopolies play a decisive role in economic life;

2. Bank capital merges with industrial capital and the resulting “finance capital” gives rise to a financial oligarchy;
3. Capital exports acquire exceptional importance and begin to prevail over exports of commodities;
4. Capitalists join to form monopolistic associations which partition the world among themselves [9].

From the above-mentioned analysis of the ever closer interconnections between monopolistic concerns and the State, Lenin proceeded to focus on State intervention in the economy as a basic aspect of the closing stage of capitalism and presented state intervention as including the provision of funds, other support to major concerns and a role in planning.

In Altvater [10] we read that, as Lenin’s state capitalism theory has political implications, its analytical sections are followed up and completed both by prognoses and by the indication of possible strategic actions. Its core assumption is that the closing stage of capitalism is the step immediately before a socialist revolution both because crises in the older system begin to escalate and, above all, because the typical processes of state capitalism prefigure the characteristics of the new system that will arise from the existing one. The point to be emphasised here is that the situation depicted by Lenin is a near proxy of the system that arises in the Soviet Union, namely state socialism with centralised planning.

There is widespread agreement, however, that Lenin shows how monopolistic concerns and state intervention in the economy pave the way for a form of organised socialism grounded on monopoly building. In Meyer’s biography of Lenin [11], we read that Lenin thought that the system established in the Soviet Union was nothing but a tool to enable the party to exercise control over the masses. And, according to Lenin, there are means to contrast such an evolution: at least in more advanced countries the assumptions for the takeover of the capitalist economic apparatus by the mass of workers had been created by the typically socialist measure of extending compulsory education to all, by the subjection of people to the discipline of industrial work and, finally, by simplified government and administration procedures [12]. In Lenin’s state monopolism theory the prerequisite for the transition to socialism is the acquisition of political power. “The whole question of control—he wrote [9]—boils down to who controls whom, *i.e.* which class is in control and which is being controlled” (*ibid.*).

The fear of a form of organised socialism grounded on monopoly building induced Lenin to change radically his mind a few months before his death, when he issued an article that had remained little known to this day (see [5] [13]). In this article, Lenin highlighted shortcomings of centralised planning and identified socialism with the democratic management of firms operating in a market economy.

### 3. A critical Approach to Centralised Planning

Contemporary critics of the centralised planning model hold that production activities cannot be effectively organised without leveraging the private interest motive and, hence, markets. In the nineteen-thirties, neo-classical economists took the cue from Barone [14] in speaking out against planning on account of the rejection of markets. During the well-known socialist calculation debate that ensued, Marxist economists such as Dobb and Lange, specified that, far from suggesting the suppression of markets, they were actually recommending actions designed to put the market in the service of planning. All the same, up to this day no economist has been able to explain how markets and Soviet-type central planning can be reconciled. Historical experience has taught that the command economy model collapsed not only because of the rejection of its non-democratic and authoritarian practices by the population, but also in consequence of the poor performance of an economic system where the private profit motive was not allowed to be the main spring of human action. Kornai [15] [16] has provided evidence that due to these difficulties, a Soviet-type planned system tends to show chronic shortages and mediocre quality of production, wastes and neglects of costs, perverse effects of quantitative indicators, lack of innovations, bargainings for lower plan targets, soft budget constraints, avoidance of plan overfulfillments and other hurtful characteristics.

Criticisms of statism, even by the Left, go back many years. As is well known, Marx spoke of the State as the “lobbying group” of the bourgeoisie and a Marxist such as Antonio Labriola, much in the vein of Marx, dubbed German scholars “old fogeys” stubbornly clinging to the idea that the State should perform an ethical mission [17]. Braudel, for his part, rightly argued that “capitalism can only triumph when it is identified with the State, when it is the State” [18]. And Marianne Weber reports that Max Weber mistrusted all metaphysical interpretations of the State on the assumption that they were just pretexts to shield the privileged classes from the risk of a redefinition of power spheres [19].

The most effective critique of centralised planning, however, is doubtless implicit in the theory of public choice. As is well known, the representatives of this current of thought tend to quote Hume's saying that "in contriving any system of government, and fixing the several checks and controls of the constitution, every man ought to be supposed a knave, and to have no other end, in his actions, than private interest" [20]. In effect, one of the central tenets of Buchanan and his school is that public choice theory cannot do without the *homo oeconomicus* model, *i.e.* the insight that each individual tends to act solely out of self-interest and that even those who exercise discretionary powers while holding public offices will mostly use such power to attain their personal ends.

In fact, public choice theorists are not only critical of the foundations of modern finance, but also of "keynesians", "monetarists", "new classical macroeconomists", "neokeynesians" and other economic schools on the assumption that they keep discussing the goals that governments are supposed to pursue instead of monitoring what governments are actually doing [21]. Today, indeed, the claim of public choice theorists that the primary concern of all humans is with their personal problems has gained currency to the point of being taken up even by non-liberalists as a possible key for the interpretation of public sector policies.

In combination with the call for community life that capitalism fails to satisfy, the above-mentioned criticisms of statism and the criticism of markets (which here is assumed to be known), point to a 'Third Way', *i.e.* a type of social organisation, other than free trade, which rejects centralised planning. In other words, critics of statism think that enemies of free-market capitalism (who claim that an economic system inadequately kept in check can only generate imbalance and injustice) do not have to accept massive State intervention if they choose the kind of control that comes with democratic firm management. A critic of centralised socialism such as Rosa Luxemburg warned that socialism, far from being decreed by a dozen officials from behind a few official desks, demanded "a complete spiritual transformation of the masses degraded by centuries of bourgeois rule" [22].

Some commentators have aptly remarked that most of the criticisms levelled by Yugoslav scholars against bureaucracy and, hence, statism, are aimed against processes traditionally denounced by Marxists, namely bureaucracy as a sign of the split between the individual essence and sociality of man (in the spirit of Marx's early work), as a form of hired labour and part and parcel of a reified universe (Lukàks), and as based on the expropriation of the working class (Troickij) [23]. Consequently, I agree with those Yugoslav scholars who claim that the 'Yugoslav road towards socialism' was antithetical to the centrally planned Soviet model and draw a parallel between it and Marx's theorisation of the death of the State [24].

#### 4. Is the Rise of a New Mode of Production a Realistic Assumption?

It is widely held that the current crisis of Marxism stems from the awareness that markets cannot be abolished, that central planning is no viable alternative to capitalism and that the prospect of realising socialism in practice is unrealistic. Indeed, there is general agreement that following Lenin's death Marxism experienced a downward spiral throughout the twentieth century and fell to an all-time low after the fall of the Berlin wall. Sève [25] has appropriately argued that the true cause of this eclipse was the use of Marxism as a justification for the pro-USSR policies of communist parties. This—he claimed—is why it collapsed simultaneously with the centrally planned systems of the Eastern European countries.

This begs the question: can worker control of firms, the prospect which according to Oskar Lange [26] was able to rekindle the activism of the working class, become the new polar star for the Left. This question was raised in my previous writings [27]-[29] in which I claimed that what is known as socialism is nothing but democratic firm management and that today the original intuition behind the proposal of workers' councils that Garaudy [30] describes as a crucial idea of class struggle is as topical as ever—as Anweiler argued back in 1958 [31].

Today, worker control of firms is a realistic alternative to centralised planning.

Let us add that there are two basic contradictions affecting capitalism: a) the mismatch between socialised production and private appropriation; and b) the opposition between capital and labour. And whereas those prioritising the importance of the former will theorise the role of centralised planning as an antidote to the evils of markets, those prioritising the latter will emphasise the prospects offered by a new mode of production reversing the present capital-labour relationship.

In the opinion of Bidet, Marx tended to look upon trade relationships as a phenomonic element—contrasted with class relationships—which is constitutive of the essence, and this is why he described the capitalistic mode

of production as a socio-political notion with special focus on class relations [32]. Besides explaining why worker control of firms is a mode of production, this suggests the conclusion that just as the system we term capitalism is one where firms are managed by capitalists, so socialism is a system in which firms are run by workers.

The plan to introduce democracy into the firm system is associated with the so-called ‘challenge of Condorcet’, *i.e.* the need to prioritise ‘collective ownership’ over ‘State-ownership’ that Condorcet magnificently theorised as early as 1791. In his *Mémoires sur l’instruction publique*, this great Enlightenment thinker rejected Rousseau’s notion of the ‘general will’ as the confluence of the individual wishes of the citizens into a common destiny which hangs over them and manipulates them. No individual, he argued, should be deprived of the natural right to make decisions freely and the citizens who submit themselves to an established authority are to retain the right to scrutinise the decisions of this authority day after day and the right to disempower it whenever they should disapprove of its choices. ‘Politics’ has its roots in the public sphere, in its judgments and in exchanges of opinions which become ever more vigorous at the same pace that knowledge is ever more widely circulated. Community life should neither be governed by particular interests nor by the State: it should always be guided by reason and this is what justifies the special status of scholars, *i.e.* those by whom knowledge is circulated. According to Condorcet, the power of chance and, especially, probabilities of error are magnified by ignorance. Provided it is true that the more an individual knows, the more he will be able to predict the future, he argued, then the effort to work towards dismantling the barriers of ignorance by spreading education has been (and remains) the overriding political and social project for reducing the effects of chance in the lives of individuals and of the community as a whole [2]. In other words, Condorcet looked upon knowledge as the social good par excellence, as the rational language of the public sphere. “This public sphere, which is neither the State nor the market and can neither be identified with particular interests nor the ‘general will’—Bascetta argues [33]—is the domain where the ‘general intellect’ or ‘collective intelligence’ of a community acts itself out.”

In my opinion, the ‘challenge of Condorcet’, *i.e.* the hoped-for predominance of the ‘socially owned’ over the ‘state-owned’, necessitates introducing democracy into the firm system because it is this that can prevent the State from continuing to bow to the pressure of lobbying groups working in the interests of privately owned monopolistic concerns. Quoting Kouvelakis [34]: “The ‘abolition’ of ‘class property’ and the ‘management according to a common plan of national production’ by ‘all cooperative associations’ are the only means to keep cooperative production from reaching a dead end or falling into a trap; these are the two pillars of what is clearly characterized as ‘communism’”. Be that as it may, since no one has ever been able to make clear how a command planning model can be reconciled with the working of markets, a plan can only draw the broad outlines of a possible product mix.

At this point, it is worth clarifying my personal opinion concerning the correct place of the State in the economy. Although I firmly believe that the State must play a role in economic affairs, the starting idea of this paper is that the severest mistake of the Left today is to have ceased believing in socialism as full-fledged democracy and in the ability of worker control to help achieve it. As things stand, the Left clings to the erroneous view that the left-wing, or socialist, character of a political system is directly proportional to the amount of state intervention that is put in place in an attempt to knock markets out of the game. This is the rationale behind my critique of statism as a system and my explicit reference to the theory of public choice.

All the same—let this be repeated—there can be little doubt that the State must act upon the economy even in a system of democratic firms. As mentioned above, however, within a democratic economic system even public economic policies will be fully democratic: the typical split between politics and economics of liberalist capitalistic systems is bridged, as is the divide between what is public and what is private.

## 5. An In-Depth Analysis of Producer Cooperatives as a New Production Mode

A great many market socialism models have been theorised over the past years (see, *inter alia*, [35]–[38]). Among them, the system with firms run by workers themselves—the one with which we are concerned in this paper—is both the simplest to prefigure and the most widely discussed. The question that the foregoing reflections have failed to answer satisfactorily is whether such a system is actually a new production mode.

It is widely held that the transfer of firm management powers from capitalists to workers would not amount to a revolution proper. According to Sweezy, for instance, to assume that a free market system with state-owned production means and with firms not run by capitalists gives rise to socialism is to mistake legal relations for

production relations, because a system where firms are run by workers who strive to maximise profits by manufacturing goods and placing them on the market is a very near proxy for capitalistic production relations.

Sweezy's argument recalls those of Althusser and Mészáros. Specifically, Althusser maintained that producer cooperatives are part of the capitalistic production mode and may prefigure a socialist production mode "only in the minds of utopians or opportunists", while Mészáros argued that "capital is a metabolic system, a socio-economic metabolic system of control. You can overthrow the capitalist, but the factory system remains, the division of labour remains, nothing has changed in the metabolic function of society, the only way to evade the control of capital is to do away with it" [39].

Both these comments miss the point. Let me specify that within Marx's dialectical or relational approach—capital ceases to exist as soon as hired labour is suppressed, or, put differently, the moment when the relation between capital and labour is reversed [40]: and since capital necessarily entails the existence of the capitalist, the abolition of hired labour will bring capitalism to an end as a matter of course. As mentioned in Finelli [41], Marx looked upon capitalism as a reversed world where "alienation from labour and the impoverishment of the proletariat simply cannot exceed a certain level, at which the contradiction between the earning potential of the class and the misery of its current circumstances will become unbearable and necessitate restoring the world to its upright position."

Clues for a better understanding of this point may come from the distinction between two different types of cooperative firms, the LMF and the WMF see [42] [43]. In modern producer cooperative theory (which defines capital consistently with the approach in this paper, *i.e.* as the bulk of production means), it is the so-called LMF cooperatives (those funding their investments with loan capital) that reverse the existing capital-labour relation. Indeed, whereas in capitalistic systems it is the owners of capital that hire workers (either directly or through managers in their service), pay them a fixed income and appropriate the surplus, in LMF-type cooperatives it is the workers running their own firms that borrow capital, pay it a fixed income (interest) and appropriate the surplus themselves.

In other words, there are but two antithetical options: capital goods are either owned or not owned by capitalists. In the former case, the system concerned is capitalism; in the latter case, when firms are owned by workers (and are the LMF-type), the system is non-capitalistic by definition and reverses the capital-labour relation. And the change in the production mode entailed in this process triggers a revolution real and proper.

In support of this view, it is worth adding that the information on the nature of a firm we draw from its corporate object points to an essential difference between capitalistic and worker-controlled firms: whereas the former tend to maximise profit, the latter (as taught by economic theory) tend to maximise the satisfaction of the majority of the workers involved in their decision-making processes.

In Marx's estimation, the capital-labour relation in capitalistic systems clashes with our very notion of freedom. After an analysis of this argument, Marx writes [44]: "Yet it is obvious that this process of inversion is merely an historical necessity, merely a necessity for the development of the productive forces from a definite historical point of departure." And this means he did not rate it as an absolute need inherent in the production process. "The propertylessness of the worker—he argued—and the property of objectified labour in living labour, or the appropriation of alien labour by capital—both merely expressing the same relation at two opposite poles—are basic conditions of the bourgeois mode of production, by no means indifferent accidental features". Hence, argued Lukács, "only when man seizes full control of work, or, put differently, when work turns from a 'tool for life' into the 'primary life need', only when man is relieved from the constriction stemming from his self-reproduction, then, and only then, will the social path towards human activity as an end to itself be opened up" [45].

A well-known saying by Marx runs that those controlling production are also in control of men's lives because they own tools which allow them to pursue whatsoever aim they may have in mind (see, *inter alia*, [46] [47]; and this argument goes to reinforce the idea that revolution is to be understood as the handover of production means from capitalists to workers and the concomitant disempowerment of capital.

The potential of a system of producer cooperatives for sparking off a socialist revolution is also called into question by those, including Pannekoek and Lukács, who distinguish between revolutionaries and revisionists based on whether they advocate the overthrow of the State or look upon it as a neutral institution. From my perspective, instead, the idea that revolution comes down to changing the existing production mode necessitates the conclusion that a system of producer cooperatives reversing the capital-labour relation does amount to a revolution even though the State is not altogether overthrown.

## 6. On the Scientific Essence of Socialism

It is a well-known fact that Marx rated existing forms of socialism as ‘utopian’ and contrasted them with his own ‘scientific’ approach to socialism. But what did he mean by ‘scientific socialism’? As mentioned at the beginning of this paper with reference to Engels, in Marx ‘scientific socialism’ is the theorisation of a new mode of production which will necessarily become a reality at some point in time because it arises and develops right within the capitalistic mode of production. This begs the question whether a worker-controlled firm system can be said to arise and develop within a capitalistic system.

As technological evolution is currently moving in the opposite direction to Fordism, at this stage the argument that the advent of economic democracy is accelerated by the degradation of human labour caused by Fordism and Taylorism is unwarranted. Does this validate the opposite assumption that the higher educational and expertise levels required by modern technology are expediting the transition to democratic firm management and, hence, restoring momentum to labour management theory?

By general agreement (see, for instance, [48]), the living standard of workers is a major determinant of both the advantages granted to labour-managed firms and the difficulties they come up with. There is evidence that workers become less averse to risk and develop greater entrepreneurial skills according as their income levels increase. This is why we agree with Zamagni that “as human and social capital acquire a greater strategic role than physical and financial capital, the overriding importance of democratic governance modes becomes more and more evident also on a strictly economic plane” [49]. Indeed, the greater a worker’s educational levels and qualifications, the less he will be prepared to work at the orders of an employer and the more he will tend to acquire the abilities necessary to run a firm first-hand. Authors emphasising the wish of higher-income workers to run a firm of their own include Bowles and Gintis [50]. Very often, they argue, workers in self-managed firms have the feeling that their incomes may be at risk and that they may prove unable to finance a decent standard of living for their families, but this feeling recedes in proportion to increases in income. In the words of Rosselli [51], “the call for worker control ... reflects the emergence of a new kind of average workman, whose dignity requires not only material improvements, but the assertion of an autonomous personality both within and outside the factory.”

Let us add that there is a stage, in the evolution of production processes, at which efficiency and productivity gains become strictly dependent on autonomy, creativity, critical discernment as well as modes of behaviour supported by sound criteria. From this it follows that when this threshold is reached and people interiorise the idea that quality and productivity are inextricably interconnected, the path to socialism will be beaten as a matter of course.

“Bourgeois individualism necessarily breeds a tendency towards proletarian collectivism—Gramsci wrote [52]. “The individual capitalist is matched by the individual association, the shopkeeper by the cooperative.”

Hayek [53] described coercion as a social evil which turns a useful thinking individual into a lifeless tool for the achievement of another’s ends. That is why the abolition of hired labour in an employee-managed economy would result in the emergence of a fully democratic system where workers, freed from coercion from employers, would cease being alienated. As a result, anyone thinking, like Marx, that mankind will gradually gain more and more freedom (even though via the most tortuous of paths) can hardly doubt that democratic firm management is bound to become a reality at some point in time. In the words of Lukàcs [54], “Marx, much like German philosophers and chiefly Hegel, conceived of world history as a unitary process and the highroad towards liberation”.

In short, it is reasonable to assume that labour management is bound to make headway in history according as manual labour loses importance and workers acquire greater educational and professional qualifications.

According to Proudhon, revolution is inevitable since the division of labour, while, admittedly, adding to the qualifications of workers, simultaneously worsens their condition through the parcelling out of jobs it entails (see [55]).

According to Harman [56], “Gramsci often uses the bourgeois struggle for power against feudalism as a metaphor for the workers’ struggle for power against capitalism. In point of fact, this comparison is highly misleading. As capitalist production relations are closely associated with commodity production, which may arise within feudal society, the bourgeoisie can use its growing economic dominance to build up its ideological position within the framework of feudalism before seizing power. Conversely, the only way for the working class to become economically dominant is by taking collective control of means of production—an aim which requires

rallying to arms in order to seize political power.” On this point, however, it is Gramsci, not his critic, which is right.

## 7. Reduced Bankruptcy Risks in Democratic Firms

At this point, it is worth examining a specific peculiarity that marks out employee-managed firms from capitalistic companies.

In a system of cooperative firms, business enterprises face remoter insolvency risks. As is well known, a business faces insolvency when its costs exceed revenues. For this reason, the absence of the largest cost item—wages and salaries—from a democratic firm system would greatly help confine insolvency risks.

In other words, the downward trend in insolvencies is the result of a major difference between capitalist and employee-managed firms: in the former, workers take precedence over capital providers since they cash their wages and salaries on a monthly basis and, as a rule, are not dependent on profit distributions; in the latter, the partners participate in the ‘residual’ and although their incomes may be paid out in monthly instalments, they are determined after the whole of the firm’s costs, including capital charges, have been settled.

An additional argument is relevant in this connection: if pay levels in a democratic firm fall below the average for the system, the partners will tend to leave the firm, but, due to the aversion to the entry of newcomers postulated by the theoretical producer cooperative model, they are likely to have difficulty getting better-paying jobs elsewhere. As a result, workers earning pays below the system’s average level will face the serious inconvenience of having to put up with meagre incomes. And as the members of worker-controlled firms tend to stay with the firm even in the event of financial distress (mobility rates are comparatively lower in cooperatives than in capitalistic businesses), this is an additional factor that helps reduce insolvency risks.

Remote bankruptcy risks are also inter-related with lower risks of dismissal, another characteristic of cooperatives. Layoffs are the exception because of lesser insolvency risks and because a cooperative may respond to drops in demand by reducing working hours instead of laying off part of the workforce. In other words, employee-managed firms offer the advantage of making jobs both safer and more lasting.

As for competition, which in capitalist systems is often very tough, it is cooled off as a result of reduced insolvency risks. A firm which is aware that it will not go bankrupt is free to resolve not to engage in competition at all. For instance, provided the partners are prepared to accept lower incomes, the firm may decide to grant them more free time by reducing daily working hours or the working week. In such a situation, *i.e.* when bankruptcy risks are not looming, competition will not be an evil since individual firms will have the option of engaging in the competitive race or, conversely, reducing incomes.

The main effect of remoter insolvency risks is to reduce the effects of oppressive market mechanisms and, consequently, the impact of markets as obstacles to the free choices of workers. As mentioned above, workers will be free to reduce their individual work inputs and choose organisation modes likely to avert bankruptcy risks. And this goes to reduce both the paramouncy of markets and alienation, *viz.* the dominance of inanimate things—means of production—over man.

From this, it follows that historical materialism, *i.e.* the prioritisation of the economic factor in individual and social choices, would be less pervasive in a democratic firm system than it is in our present world order.

## 8. The Evolution of Socialism from Utopia to Scientific Producer Cooperative Economics

As argued by Bensaïd ([57], xi), after the collapse of the Soviet economy there was a strong temptation to return from ‘scientific socialism’ to ‘utopian socialism’. From my perspective, instead, paraphrasing the title of Engels’s well-known 1892 work the evolution of socialism can be described as the progress from an illusory centrally planned regime without true markets to the system designed by the economic science of producer cooperatives. As Screpanti [58] puts it: “Ever since 1850, Marx and Engels had been consistently advocating a revolutionary process entailing ‘the most decisive centralization of power in the hands of the state authority’” and they remained strong advocates of centralisation until the advent of the Commune. It was the Commune that induced both Marx and Engels to rethink their previous position. (cfr. also [59]).

Following Roemer’s approach [37], it is possible to split the evolution of socialism into four steps. At the first step, economists reached the conclusion that labour time is an inappropriate measure for rational economic calculus: even in socialism, they argued, the use of prices as scarcity indexes is doubtless the only way to prevent waste of resources, but—they made clear—such prices cannot be determined by exclusive reference to the la-

bour-time needed to produce the commodities concerned.

The second step in the evolution of socialism is the phase when it was demonstrated that general equilibrium theory can—viz. must—be the instrument for rational economic calculus even in socialist systems. This was the time when, more than a hundred years ago, Pareto and Barone provided the demonstration that the prices the planning board has to use in its effort to secure an efficient use of resources can only be determined by solving a complicated system of equations, *i.e.* Walras’s general economic equilibrium system.

The third step was taken in the nineteen-thirties, when a number of renowned economists including Marxists such as Lange [60] and Lerner [61] concordantly reached the conclusion that the prerequisite for the proper functioning of a centrally planned system was a real and proper market—in terms that it was not enough to solve a system of equations in order to determine the prices that were to be used for the relevant calculations. In a much praised contribution, Lange formulated two general laws that the planner was supposed to observe in order to vouchsafe a properly functioning plan: the first of these laws, which Lange took over from the neoclassical marginalist approach, can be enunciated by saying that the planning board is expected to instruct firms to increase the output volumes of each commodity produced to the level where its marginal cost will equate the corresponding market price.

Within the framework of what today is termed the ‘Lange-Lerner model of socialism’, the prices of commodities are determined by the market, whereas the prices of capital goods are fixed by the planning board. The planning board fixes the initial prices of the capital goods produced and then waits for firms to submit their offers/orders at the prices thus set. If demand for a given capital good exceeds supply, this is held to be a sign that the price provisionally fixed by the planning board is too low and has to be increased. The reverse will apply if the opposite is true, *i.e.* if supply is seen to exceed demand. This process should be protracted until demand and supply are balanced out everywhere and for all the capital goods concerned. On closer analysis, however, the law which is being applied is nothing but the law of supply and demand which governs real markets and the planning board can be said to be ultimately acting in accordance with the laws of the market.

Let us specify that under the Lange-Lerner model the remuneration for any work done should be proportional to the relevant disutility level, *i.e.* to the enervation caused by each job, so that the pay rates for sweated jobs would be higher than those for softer and more pleasant jobs.

The fourth step in the evolution of socialism was marked by the introduction of self-management in Tito’s Yugoslavia, in Hungary in connection with the reform of the planning model and then in the Soviet Union during the tenure of Gorbachev and in post-Mao China. Although these reforms were not fully compliant with the Lange-Lerner model, they were a sign that the socialist establishment had acknowledged the validity of the economic debate conducted up to those years.

As far as the fifth step of the process is concerned, it is the debate on the market socialism models worked out in the economic literature in more recent years (including a model by Roemer himself dated 1994). Unlike Roemer, I hold that the fifth stage of the debate on socialism started upon the publication of Ward’s 1958 article and has been continuing to this date with a rich body of economic studies on producer cooperatives. Ward’s paper was the first study explaining how a worker-controlled firm wishing to conduct business rationally should fix the prices of its products and the later stages of this debate made it clear that a system of producer cooperatives can be rated as a correct implementation of a Marxian version of socialism see [28] and [62].

The main objection to a model of socialism with markets—the conflict between the material incentives required for markets to work effectively and the Marxist idea that work should be undertaken for the sake of the pleasure, not the personal profit, which may flow from it—is hardly convincing. Time and again, Lenin himself emphasised that socialism was expected to make the most of the impulse stemming from emulation and (as rightly remarked by Mészáros [39] there is not much difference between the impulse stemming from the example of others and a material stimulus such as the profit motive.

The core idea behind self-management—we may argue—is neither outdated, as held by some, nor destined to failure see [63] or objectionable because based on the market as a *locus artificialis* and, at any rate, not neutral [64]; it is a crucial issue of class struggle and “the primary goal of Marxism” [30], and is therefore as topical as ever. And today the economic theory of producer cooperatives, or self-management, is to be looked upon as the theorisation of scientific socialism which lays equal emphasis on its merits and defects.

## 9. Can Plan and Market Be Reconciled?

Economic democracy is ultimately “an extension of the basic principles of British democratic government from

the political to the economic area” [65]; and the question whether planning can be reconciled with democratic firm management is closely associated with the issue of the relations between economic democracy and political democracy.

In a 1908 pioneer contribution which started the debate on collectivism of the 1930s Barone provided evidence that even a planner must imitate the market and abide by its laws if he sets out to make a rational use of resources. Such evidence has nowhere been refuted to this day. As is well known, an equally path-breaking contribution published by Oskar Lange in 1936-1937 shows that a planner imitating the market is in a position to allocate resources in line with perfect competition rules and may hence outperform a capitalistic system in terms of efficiency (since capitalistic systems do not vouchsafe perfect competition). Most of the Marxists who engaged in this debate (see, in the first place) [66], while endorsing the need to stick to the rules of the market, contended that possible conflicts between individual and social considerations were likely to compel the planner to act against the consumer sovereignty principle.

This induces us to raise at least two major questions. Firstly, how are these social considerations developed? Secondly, provided the relevant decisions are made by the planning board, is it possible to say that this is consistent with the best of Marxian thought? In other words, is it in line with democratic principles that the State should surrogate the market in terms of allocating the resources in those cases where the planner should refuse to submit to the logic of markets?

Both these reflections suggest that in situations where plan and market are to be reconciled, *i.e.* if the planner has to develop his plan in accordance with the market and the resulting plan is expected to make choices that consumers are unable to make by themselves, both the plan and the market must be based on democratic choices.

Accordingly, if a society resolves to adopt a plan and this plan is expected to have considerable recourse to the market, its organisation would prove much more efficient with worker-controlled firms than with capitalist-owned firms since markets in self-managed firms are more democratically organised.

At any rate, the heart of the matter lies elsewhere. Those who are inimical of markets either because they yearn for a Marxian-type communist system or because they would like to cut hours of work and provide more scope for nobler leisure activities may trust that while capitalistic companies tend to resist any attempts to reduce the role of markets, worker-controlled companies will neither deem it in their interests, nor have the power, to oppose State or parliamentary decisions in this direction.

This claim was laid in by prestigious representatives of the Austromarxist current such as Otto Bauer and, especially, Max Adler, who anticipated a society founded on a combination of top-down planning activities and bottom-up control from factory councils. However, the most direct and unequivocal call in this direction came from Korsch, who wrote that a system of councils was one in which top-down control by the community and bottom-up control by those directly involved in production could well be established apace and be performed simultaneously [67].

In point of fact, it is worth remarking that while the suppression of capitalistic firm control would doubtless further the establishment of centralised planning, neither Adler nor Korsch were able to explain in what way workers’ councils might be effectively involved in central planning activities (on this point, see [68]). Hence, it is clear that the need to combine plan and market is a point which requires to be analysed in greater depth. What must be spelt out in bold letters is that the earliest acknowledgement of the crucial role of markets versus centralised planning in political theory, which dates from the 1959 Bad Godesberg Programme, is to be unconditionally endorsed. The underlying rationale is that “a central planning model which is unrelated to the working of markets is simply unacceptable since any increase in public intervention in the economy will not strengthen democracy, but magnify the role of bureaucrats” [69].

The central planning model that theorists should consequently strive to develop is not Soviet-type bureaucratic centralism, but democratic centralism, the model that Gramsci described as “‘centralism’ in movement, as a continual adaptation of the organisation to the real movement, a matching of thrusts from below with orders from above” [70] and, most importantly, as a model that must include markets as ineliminable constituents expected to “organise and interconnect closely that which is similar” [70].

## 10. Conclusions

In this paper, I maintain that Soviet-type centralised planning, which would seem to rise from the ashes of capi-

talism in consequence of the ever more tightly planned character of capitalistic production activities, has actually markedly utopian overtones since it envisions a production system in which the day-to-day behaviour of workers is not governed by the personal profit motive. This means I support the view of some authors that “this utopian prospect is to be purged of its unrealistic shades and accommodated within a long-term perspective” (see [60]).

An additional claim laid in this paper is that even a worker-controlled firm system can be an offshoot of the capitalistic dynamic (especially of its ability to teach workers to manage production by themselves), but is devoid of any such utopian strain since the members of its constituent firms would engage in production with the aim of maximising the satisfaction associated with their work.

The classics of Marxism did not doubt that it was science that provided the material conditions and viewpoints underlying political decision-making. And in my opinion science has made it sufficiently clear that while marketless planning is destined to failure, a system of producer cooperatives is not only viable, but even more efficient than capitalism (see, f. i., [71]).

Conceived of as the heir classical German philosophy, English political economy and French socialism, Marxism spans all human knowledge, and, in the opinion of the renowned scientist Edward O. Wilson, the “union of knowledge” is the grand goal that mankind should pursue by all means (see [72]).

## References

- [1] Weil, S. (1955) *Riflessioni sulle cause della libertà e dell’oppressione sociale* (Ital. transl.). RCS Quotidiani, Milan, 2010.
- [2] Bodei, R. (2013) *Immaginare altre vie; realtà, progetti, desideri*. Feltrinelli, Milan.
- [3] Scalfari, E. (2013) *La fragile armonia di una politica ambigua*. *La Repubblica*, 27 ottobre.
- [4] Engels, F. (1882) *Socialism, Utopian and Scientific*. Foreign Languages Publishing House, Moscow.
- [5] Laibman, D. (2006) *The Future within the Present: Seven Theses for a Robust Twenty-First Century Socialism*. *Review of Radical Political Economics*, **18**, 305-318. <http://dx.doi.org/10.1177/0486613406290895>
- [6] Bobbio, N. (1984) *Il futuro della democrazia*. Einaudi, Turin.
- [7] Bobbio, N. (1985) *Stato, governo, società; frammenti di un dizionario politico*. 2nd Edition, Einaudi, Turin.
- [8] Gibson-Graham, J.K. (2003) *Enabling Ethical Economies: Cooperativism and Class*. *Critical Sociology*, **29**, 123-161.
- [9] Lenin, V.I. (1917) *L’imperialismo, fase suprema del capitalismo* (Ital. transl.). Editori Riuniti, Rome.
- [10] Altvater, E. (1982) *La teoria del capitalismo monopolistico di Stato e le nuove forme di socializzazione capitalistica*. In: Hobsbawm, E.J., Haupt, G., Marek, F., Ragionieri, E., Strada, V. and Vivanti, C., Eds., 1978-1982, *Storia del marxismo*, 5 voll., Einaudi, Turin, 651-699.
- [11] Meyer, A.G. (1957) *Il Leninismo* (Ital. transl.). Edizioni di Comunità, Milan, 1965.
- [12] Lorenz, R. (1974) *La costruzione del socialismo in Lenin*. In: Istituto Giangiacomo Feltrinelli, Ed., *Storia del marxismo contemporaneo*, Feltrinelli, Milan.
- [13] Jossa, B. (2014) *A System of Cooperative Firm as a New Mode of Production*. Routledge, London.
- [14] Barone, E. (1908) *Il Ministro della produzione in uno stato collettivista*. *Giornale degli Economisti*, **37**, 267-293.
- [15] Kornai, J. (1980) *Economics of Shortage*. North-Holland, Amsterdam.
- [16] Kornai, J. (1994) *Overcentralization in Economic Administration*. 2nd Edition, Oxford Economic Press, Oxford.
- [17] Labriola, A. (1896) *Del materialismo storico; delucidazione preliminare*. In: Labriola, A., Ed., *La concezione materialistica della storia*, Laterza, Bari.
- [18] Braudel, F. (1977) *Afterthoughts on Material Civilization and Capitalism*. Johns Hopkins University Press, Baltimore.
- [19] Weber, M. (1984) *Max Weber, una biografia* (Ital. transl.). Il Mulino, Bologna, 1995.
- [20] Hume, D. (1877) *Essays*. Macmillan, London.
- [21] Kirchgassner, G. (1989) *On the Political Economy of Economic Policy*. *Economia delle scelte pubbliche*, a. VII, n. 1-2.
- [22] Luxemburg, R. (1948) *La rivoluzione russa*. In: Luxemburg R., 1967, *Scritti politici*, ed. by Basso, L., Editori Riuniti, Rome.
- [23] Arnason, J.P. (1982) *Prospettive e problemi del marxismo critico nell’Est europeo*. In: Hobsbawm, E.J., Haupt, G., Marek, F., Ragionieri, E., Strada, V. and Vivanti, C., Eds., 1978-1982, *Storia del Marxismo*, 5 voll., Einaudi, Turin, p. 179.

- [24] Arnason, J.P. (1982) Prospettive e problemi del marxismo critico nell'Est europeo. In: Hobsbawm, E.J., Haupt, G., Marek, F., Ragionieri, E., Strada, V. and Vivanti, C., Eds., 1978-1982, *Storia del Marxismo*, 5 voll., Einaudi, Turin, p. 180.
- [25] Sève, L. (2004) *Penser avec Marx aujourd'hui*. Tome I, Marx et Nous, La Dispute, Paris.
- [26] Lange, O. (1957) Alcuni problemi riguardanti la via polacca al socialismo. In: Lange, O., *Socialismo ed Economia Socialista* (Ital. transl.), La Nuova Italia, Florence, 1975.
- [27] Jossa, B. (2013) Alienation and the Self-Managed Firm System. *The Review of Radical Political Economics*, **46**, 5-14.
- [28] Jossa, B. (2012) Cooperative Firms as a New Production Mode. *Review of Political Economy*, **46**, 399-416. <http://dx.doi.org/10.1080/09538259.2012.701915>
- [29] Jossa, B. (2012) A System of Self-Managed Firms as a New Perspective on Marxism. *Cambridge Journal of Economics*, **36**, 821-841. <http://dx.doi.org/10.1093/cje/bes012>
- [30] Garaudy, R. (1972) s. d., L'alternativa; cambiare il mondo e la vita (Ital. transl.). Cittadella Editrice, Assisi.
- [31] Anweiler, O. (1958) *Storia dei soviet, 1905-1921*. (Ital. transl.). Laterza, Bari, 1972.
- [32] Bidet, J. (1990) La teoria del modo di produzione capitalistico. In: AA.VV., 1990, *Gramsci e il marxismo contemporaneo*, ed. by Muscatello, B., Editori Riuniti, Rome, 149-171.
- [33] Bascetta, M. (2004) *La libertà dei postmoderni*. Manifestolibri, Rome.
- [34] Kouvelakis, S. (2005) Marx e la critica della politica. In: Musto, M., Ed., *Sulle tracce di un fantasma*, Manifestolibri, Rome, 195-207.
- [35] Stauber, L.G. (1987) Capitalism and Socialism: Some General Issues and the Relevance of Austrian Experience. Reprinted in: Nove, A. and Thatcher, I.D., Eds, *Markets and Socialism*, Elgar, Aldershot, 70-95.
- [36] Roemer, J.E. (1993) Can There Be Socialism after Communism? *Politics and Society*, **20**, 261-276.
- [37] Roemer, J.E. (1994) *Un futuro per il socialismo* (Ital. transl.). Feltrinelli, Milan, 1996.
- [38] Schweickart, D. (2002) *After Capitalism*. Rowman & Littlefield Publishers, Inc., Lanham.
- [39] Mézàros, I. (1995) *Behond Capital*. Merlin Press, London.
- [40] Ollman, B. (2003) *Dance of the Dialectic; Steps in Marx's Method*. University of Illinois Press, Chicago.
- [41] Finelli, R. (2007) Un marxismo "senza Capitale". In: Bellofiore, R., Ed., *Da Marx a Marx?*, Manifestolibri, Rome, 125-141.
- [42] Vanek, J. (1971) Some Fundamental Considerations on Financing and the Form of Ownership under Labour Management. Reprinted in: Vanek, J., Ed., *The Labor Managed Economy: Essays by J. Vanek*, Cornell University Press, Ithaca, 171-185.
- [43] Vanek, J. (1971) The Basic Theory of Financing of Participatory Firms. Reprinted in: Vanek, J., Ed., *The Labor Managed Economy: Essays by J. Vanek*, Cornell University Press, Ithaca, 186-198.
- [44] Marx, K. (1857-58) *Grundrisse: Introduction to the Critique of Political Economy*. Pelican Books, London.
- [45] Lukàcs, G. (1923) *Storia e coscienza di classe* (Ital. transl.). Sugarco Edizioni, Milan, 1974.
- [46] Pellicani, L. (1976) *Socialismo e pluralismo*. *Mondoperaio*, 1976.
- [47] Bahro, R. (1977) *Eine Dokumentation*. Europäische Verlagsanstalt, Frankfurt.
- [48] Ben-Ner, A. (1988) The Life-Cycle of Worker-Owned Firms in Market Economies: A Theoretical Analysis. *Journal of Economic Behavior and Organization*, **10**, 287-313. [http://dx.doi.org/10.1016/0167-2681\(88\)90052-2](http://dx.doi.org/10.1016/0167-2681(88)90052-2)
- [49] Zamagni, S. (2006) Promozione cooperativa e civilizzazione del mercato. In: Bulgarelli, M. and Viviani, M., Eds, *La promozione cooperativa; Copfond tra mercato e solidarietà*, Il Mulino, Bologna, 217-244.
- [50] Bowles, S. and Gintis, H. (1996) The Distribution of Wealth and the Viability of the Democratic Firm. In: Pagano, U., and Rowthorn, R., Eds, *Democracy and Efficiency in Economic Enterprise*, Routledge, London, 120-137.
- [51] Rosselli, C. (1930) *Socialismo liberale*. Einaudi, Turin, 1973.
- [52] Gramsci, A. (1918) Individualismo e collettivismo. In: Gramsci, A., 1958, *Scritti giovanili (1914-18)*, Einaudi, Turin.
- [53] Hayek, F.A. (1960) *The Constitution of Liberty*. University of Chicago Press, London.
- [54] Lukàcs, G. (1968) *Scritti politici giovanili, 1919-1928*. Laterza, Bari.
- [55] Ansart, P. (1967) *La sociologia di Proudhon* (Ital. transl.). Il Saggiatore, Milan, 1972.
- [56] Harman, C. (1977) Gramsci versus Eurocommunism, Part 2. *International Socialism*, No. 99, 10-14. [www.marxists.anu.edu.au](http://www.marxists.anu.edu.au)
- [57] Bensaïd, D. (2002) *Marx for Our Times*. Verso, London.

- [58] Screpanti, E. (2007) *Comunismo Libertario*. Manifestolibri, Rome. <http://dx.doi.org/10.1057/9780230596474>
- [59] Marx, K. (1871) *On the Paris Commune*. Progress, Moscow.
- [60] Losurdo, D. (2005) *Marxismo, globalizzazione e bilancio storico del socialismo*. In: Musto, M., 2005, Ed., *Sulletracce di un fantasma*, Manifestolibri, Rome.
- [61] Lerner, A.P. (1938) *Theory and Practice in Socialist Economics*. *Review of Economic Studies*, **6**, 71-75. <http://dx.doi.org/10.2307/2967541>
- [62] Lowit, T. (1962) *Marx et le Mouvement Cooperatif*. *Cahiers de l'institut de science économique appliquée*, n. 129, September.
- [63] Chilosi, A. (1992) *Il socialismo di mercato: modelli e problemi*. In: Chilosi, A., 1992, Ed., *L'economia del periodo di transizione; dal modello di tipo sovietico all'economia di mercato*, Il Mulino, Bologna, 159-172.
- [64] Amirante, C. (2008) *Dalla forma Stato alla forma mercato*. Giappichelli, Turin.
- [65] Bauer, O. (1920) *Bolscevismo o socialdemocrazia*. In: Marramao, G., 1977, *Austromarxismo e socialismo di sinistra tra le due guerre*, La Pietra, Milan.
- [66] Dobb, M. (1933) *Economic Theory and the Problems of a Socialist Economy*. *Economic Journal*, **43**, 585-598.
- [67] Korsch, K. (1923) *Consigli di fabbrica e socializzazione* (Ital. transl.). Laterza, Bari, 1970.
- [68] Adler, M. (1919) *Democrazia e consigli operai* (Ital. transl.). De Donato, Bari, 1970.
- [69] Roncaglia, A. (2008) *Il socialismo liberale di Paolo Sylos Labini*. In: Roncaglia, A., Rossi P. and Salvadori, M., 2008, Eds., *Libertà, giustizia, laicità; in ricordo di Paolo Sylos Labini*, Laterza, Bari, 80-104.
- [70] Gramsci, A. (1975) *Quaderni dal carcere*, Vol 4. Einaudi, Turin.
- [71] Vanek, J. (1970) *The General Theory of Labour-Managed Market Economies*. Cornell University Press, Ithaca.
- [72] Wilson, E.O. (1998) *L'armonia meravigliosa* (Ital. transl.). Mondadori, Milan, 1999.