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Dear Editor,

I would like to beg space from you to reply to a number of criticisms of my views that have been published in your pages recently, written by Jack Conrad, Mike Macnair and Nick Rogers.

*Political Background.* Jack Conrad in his mail wants to characterise me as an eccentric Stalinist. Aye, that will be right: 'Stalinism with an Athenian face', nothing screams *authoritarian cult of personality* more than selection by lot. He apparently bases his label on an association between me and the B&ICO.

I was sceptical about the B&ICO because of their adoption of what I took to be a right revisionist position modeled on that of the then CPGB, but I was persuaded to join the B&ICO by Maisels in September 73 with the explicit purpose of opposing the rightwingers around Stead and Clifford and of organising a split. The B&ICO duely split on Jan 1st 1974 over the issue of whether there was a parliamentary 'British Road to Socialism'. The anti-parliamentarians formed COBI<sup>1</sup>, the pro-parliamentary roaders stayed in B&ICO.

COBI's general orientation was far more heavily influenced by De Leon and Bordiga than by Stalin. My advocacy of labour vouchers would make more sense to Jack if he read it in the light of De Leon or the council communists<sup>2</sup> rather than wondering how I derived it from Stalin. I was, like Jack himself, a member of another Stalinist organisation the old CPGB during the 80s until I was expelled by Chalmers as an ultra leftist.

But frivolity aside, it can be far harder to escape past political models than we sometimes think. This is partly because we are not always aware of where our views of the world have been indirectly formed from, and also because there is a limited range of political and economic policies that can be adopted in the real world, and such policies may be repeatedly and independently arrived at. I have remarked that Mike Macnairs aphorism about socialism being a form of class struggle was pretty much the pure milk of Maoism, since the Chinese communists said much the same thing:

However, the old bourgeoisie and other exploiting classes which had been overthrown in the Soviet Union were not eradicated and survived after industry was nationalized and agriculture collectivized. The political and ideological influence of the bourgeoisie remained. Spontaneous capitalist tendencies continued to exist both in the city and in the countryside. New bourgeois elements and kulaks

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<sup>1</sup>By the marvel of the internet, even obscure sects are recorded. The split documents can be accessed at the MIA under the links <http://www.marxists.org/history/erol/uk.hightide/whatiscobit.htm>, and <http://www.marxists.org/history/erol/uk.hightide/cobiprogramme.htm>.

<sup>2</sup><http://reality.gn.apc.org/econ/gik1.htm>

were still incessantly generated. Throughout the long intervening period, the class struggle between the proletariat and the bourgeoisie and the struggle between the socialist and capitalist roads have continued in the political, economic and ideological spheres.

As the Soviet Union was the first, and at the time the only, country to build socialism and had no foreign experience to go by, and as Stalin departed from Marxist-Leninist dialectics in his understanding of the laws of class struggle in socialist society, he prematurely declared after agriculture was basically collectivized that there were "no longer antagonistic classes" in the Soviet Union and that it was "free of class conflicts", one-sidedly stressed the internal homogeneity of socialist society and overlooked its contradictions, failed to rely upon the working class and the masses in the struggle against the forces of capitalism and regarded the possibility of restoration of capitalism as associated only with armed attack by international imperialism. This was wrong both in theory and in practice<sup>3</sup>.

But this does not make Mike Macnair a Maoist, it just means that he has drawn similar conclusions to Mao-tse Tung from the same evidence. One could also point out similarities between Mike's concern with the position of the educated classes under socialism and Mao's concerns during the late 1960s, but Mike is also an enthusiastic defender of Kautsky. Does that make him a very eccentric Kautskyite?

Jack is incensed by my criticism of the draft CPGB programme being to the right of the old Labour Party one. At this point in his article he seems uncertain at this point whether I am a Stalinist or a supporter of Militant, advocating of nationalising the 150 top companies. If he followed Mike Macnair and Nick Rogers and read what I actually said he would realise that this is not quite right.

I was not arguing for a moment that the old labour party clause 4 was a fully adequate socialist programme. What I do contend is that clause 4 was more socialist than what the CP now proposes. Clause 4 at least addressed the two big issues of capitalism: exploitation and private property in the means of production. Jack suggests that it is self-evident quackery on my part to suggest this, but you only have to read through the CP's draft programme to confirm what I say.

The workers' state inherits not only sectors of the economy that capitalism has socialised in its own way, but those sectors owned by small and medium capital and the petty bourgeoisie, as well as a middle class which possesses various skill monopolies. Under these conditions universal nationalisation, forced collectivisation and flat-wage egalitarianism are ruled out - historic experience certainly shows that they lead to disaster.

Planning and state control of the financial sector and the monopolies is posed by capitalist development itself. Confiscation could be used as a political weapon against those capitalists who refuse to cooperate or who rebel. But the full socialisation of production is dependent on and can only proceed in line with the withering

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<sup>3</sup>MAO TSE-TUNG July 1964, On Khrushchov's Phoney Communism and Its Historical Lessons for the World.

away of skill monopolies of the middle class and hence the division of labour.

Nationalisation of industry and policies to reduce wage differentials are bound too 'lead to disaster'. Tony Blair could hardly have put it more clearly when arguing against Clause 4. If the CP was like the old IWW and was promoting syndicalism as an alternative to public ownership, they would still be within the socialist tradition. But they are not, they intend that a CP government would leave most industry in private hands. No attempt is to be made to end exploitation and no attempt reduce income differentials until the skill differentials of the middle class have been eliminated. Workers are still to be exploited - though they are promised unspecified 'full rights'. The only change in property relations they, oddly, advocate is reverting from joint stock companies to the private ownership of industry by individual wealthy men!

Conrad objects that my focus on the private sector is outdated since

according to The Sunday Times an estimated 49% of the UK economy consisted of state spending in 2008-09. And since the Labour Party came to power in 1997 those working in the public sector "increased by more than 500,000." In 1997, some 5.1 million were employed in the public sector. The figure for 2008 was 5.7 million.

Well since the UK working population is 29million that still leaves 23.3 million in the private sector. The CPGB propose to take the Banks who employ just under a million into public ownership. Alistair Darling largely beat them to it, and of course nationalising the banks does not affect exploitation since the banks are an unproductive sector. But that still leaves some 22million. Public ownership would also be extended to public transport, electricity, gas and water supplies. On the outside perhaps another million. So their idea of a socialist economy is one in which 72% of the workforce are employed by private capitalist firms. This position is well to the right of Dengist China where some 60% of industry is in state hands. It even substantially to the right of what Harold Wilson's government achieved in the mid 70s.

Eliminating skill monopolies is great, but it enables you to deflect attention from a far greater immediate problem: the exploitation of workers by the firms they work for. That, rather than skill differentials are the key to understanding the polarisation of society between wealth and poverty. Socialists believe that the biggest step towards overcoming class inequality comes by stopping capitalist exploitation. This view was epitomised in Clause 4. New Labour politicians like Blair believed that the key to getting rid of inequality was education. By rejecting public ownership, and not apparently considering the any alternative way of getting rid of capitalist exploitation like syndicalism, the CP is moving onto the territory previously mapped out by New Labour. It is also important to note that Clause 4 committed to *common ownership* not specifically state ownership. It thus allowed for different forms of common ownership : cooperatives, municipal, state, or syndical.

Jack makes a few points about the wording of clause 4, which strike me as both pedantic and an attempt to literally transpose Marx criticism of the Gotha Programme. Well yes it should perhaps have said 'value added by their labour ( which will of course be subject to income tax and national insurance)' rather than 'full fruits of their labour', but the precision would have been gained at a loss of

poetry. If one uses language that is too precise you end up with something turgid. Recall that Clause 4 was a concise statement to go on a party membership card. It has to be short and memorable. It is not easy to come up with a really short summary of socialist aims. If Jack thinks he can do better lets see his attempt. But the important point is that Clause 4 raises the issue of exploitation and the need to abolish it. The CPGB do not mention the abolition of exploitation as a programmatic goal.

So clause 4 did not mention deductions for income tax and national insurance, but who are the CP to criticise, since their economic section says nothing about tax policy at all, but everyone knew that the Labour Party stood for progressive income tax.

So the word 'equitable' in clause 4 is open to dispute. So it is, but in part this is the price one pays for brevity. In their much longer document they dont even express an interest in a more equitable or equal distribution of income, and indeed the only mention of egalitarianism is to condemn it! Why is egalitarianism apparently disastrous: " as the respected historian EH Carr notes, ideas about wage egalitarianism had to be quickly put on hold in Soviet Russia. Instead there was the reintroduction of "piece rates and other forms of discriminatory rewards as incentives to higher production." And from what I can gather similar observations can be made for the egalitarian experiments flagged and/or implemented by Che Guevara in Cuba and Mao's Cultural Revolution (though, of course, these two examples were ultra-leftist attempts at Stalinite mystification)."

This is hardly a sustained or convincing argument against socialist egalitarianism. There are two quite distinct issues here.

- (1) Differences in rates of pay between different grades, trades and professions.
- (2) Differences in pay between individuals in a single trade or grade related to their individual productivity.

Does Jack want to maintain both these kinds of differences in pay?

His reference to the USSR introducing piece rates in the 1930s is historically correct, this did occur, but one can argue that these sorts of differences are exactly what Marx meant when he said that in the first stage of communism there would still be differences in pay based on differences in strength and labouring capacity. The system of payment by labour results was justified on the grounds that it gave workers an incentive to work hard to increase production. The most charitable interpretation of what Jack Conrad means that it would be 'economically disastrous' not to have a system of payment by results.

The less charitable interpretation would be that Jack Conrad is also against the narrowing of payrates between differnt trades professions, so that it was 'economically disastrous' that the USSR paid doctors less than coal miners. Jack calls Chinese and Cuban attempts to reduce wage differentials 'ultra left stalinite mystification'. It is worth noting that although there had been an increase in wage differentials in the USSR in the Stalin period, these were considerably reduced in the 50s and 60s<sup>4</sup>. The movement against pay differentials not only in China and Cuba, but also in the USSR was part of a reaction *against* the Stalinist pay policy.

In his second contribution, Jack Conrad becomes even more vehement. His repudiation of nationalisation of industry and collectivisation of agriculture becomes absolutely vituperative. The economic and social achievements of the nationalised

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<sup>4</sup>Khrushchev M Frankland - 1966 - Penguin.

economy in the USSR are written of as "widespread starvation, plunging living standards, chronic economic inefficiency, crazy irrationality, mass terror, millions killed directly or indirectly by the state, endemic spying, social atomisation, a complete absence of democracy, etc". The record of socialism elsewhere in the world was apparently no better: China, Poland, Czechoslovakia, Romania, Albania, North Korea, Cambodia all ended up in disaster because they nationalised industry and collectivised agriculture. This is the sort of stuff one is used to hearing from right wing social democrats. He throws together countries with very different policies and economic systems. The Cambodian peasant jacquerie is put in the same category as Poland, a country with predominantly private agriculture.

*Widespread starvation:* he is presumably referring to the food crisis that followed collectivisation in Russia in the early 30s when Kulaks killed off much of their stock rather than allowing it to pass into the hands of the cooperatives. That occurred, but it is not a general argument against agricultural collectivisation. The Russian experience is more a matter of the CPs poorer basis of support in the countryside than anything else. Nothing comparable occurred in Eastern Europe nor in China. In China the period of collectivisation of agriculture coincided with a quite remarkable improvement in life expectancy:

China's mortality has declined dramatically over the past 50 years, especially in the early years of the People's Republic. The official death rate in 1953 was 14 deaths per 1,000 people, but it was probably much higher because mortality was chronically underestimated.<sup>1</sup> The official death rate had dropped below 8 by 1970 and below 7 by 2000. [China's Population: New Trends and Challenges by Nancy E. Riley, Population Bulletin, June 2004, Vol. 59, No. 2 ]

Life expectancy increased from 35 in 1949 to 65 in the 1970s<sup>5</sup>. The general trend of falling mortality was interrupted in 1960 when deaths per 1000 peaked at 25 according to the officially Deng era figures. This is generally attributed to excessive transfers of labour from agriculture to industrial production that year. 25/100 was undoubtedly a bad figure compared to the years before and after. But it is worth noting that a death rate of 25/1000 was the norm in non-collectivised India.

When we look at the estimates of death rate and birth rate for China made by US scholars during the years 1959 to 1961, we find that the death rate rose sharply in a single year, 1960, by as much as 10.8 per thousand compared to 1959. But because China in the single preceding decade of building socialism, had reduced its death rate at a much faster rate (from 29 to 12 comparing 1949 and 1958) than India had, this sharp rise to 25.4 in 1960 in China still meant that this "famine" death rate was virtually the same as the prevalent death rate in India which was 24.6 per thousand in 1960, only 0.8 lower. This latter rate being considered quite "normal" for India, has not attracted the slightest criticism. Further, in both

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<sup>5</sup>M. Meissner, The Deng Xiaoping Era. An Inquiry into the Fate of Chinese Socialism, 1978-1994, Hill and Way 1996.

the preceding and the succeeding year India's crude death rate was 8 to 10 per thousand higher than in China.<sup>6</sup>

If we look at the quite extraordinary improvements in life expectancy and falls in infant mortality achieved in China under communist rule we can see that Conrad is doing no more than reiterating the more extreme US anti-communist propaganda.

*Plunging Living standards.* : This is the complete reverse of the truth. Living standards in the USSR and Eastern Europe certainly plunged when the economy was denationalised. But living standards were rising very fast during the 1950s and 60s and then at a modest rate thereafter<sup>7</sup>. You might argue that with different economic policies it might have been possible for the rapid improvement of the 50s and 60s to have continued longer, but any such claim has to be treated with caution. The pro-market reformers claimed that getting rid of nationalised property and dissolving GOSPLAN would lead to a huge economic leap forward, in fact the reverse occurred.

*Chronic economic inefficiency, crazy irrationality:* Conrad provides no sources for any of his claims about the Soviet economy. The negative features he claims are things we are supposed to know implicitly. There is certainly no shortage of neo-classical economists in the USA who made claims about the inefficiency of the Soviet economy. But these were the same economists whose proposals were tried out with disastrous effects in the 1990s. There is no abstract inefficiency, it is always concrete. If you claim inefficiency you have to be claiming it relative to some standard. You have to claim that country A is less efficient than country B, or that the economic system prior to some policy change was more or less efficient than after the change. Comparison of economic efficiency in one country against another is a very problematic exercise<sup>8</sup>. If Conrad is saying that the Russian nationalised economy was less efficient than it would have been if some different policy were adopted he has an obligation to say what other policies should have been adopted.

*mass terror, millions killed directly or indirectly by the state, endemic spying, social atomisation, a complete absence of democracy.* : These surely relate to the Bolshevik political system rather than to having a nationalised economy. To say that nationalisation leads to all this is on a level with Churchill's silly scaremongering when he said that Atlee's nationalisations would lead to a Gestapo in Britain.

**Middle class socialists.** Mike argues that the middle classes today contain a large group who should still be considered petty proprietors because of the special skills they have. These skills allow them to earn higher wages than ordinary workers. As such, he argues, the skills are property that they own and which yield an income. The classic self employed trader gets a higher average income than the wage labourer because the full value of the labour they do is paid directly to them, rather than being shared with an employer. A self employed electrician will usually earn more

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<sup>6</sup>On Measuring "Famine" Deaths : Different Criteria for Socialism and Capitalism? By Utsa Patnaik

<sup>7</sup>It is relatively easy to produce figures to show, this, I don't want to burden you with tables to typeset, but I suggest Conrad look at tables 50 to 52 of Soviet Statistics Since 1950 by B.P. Pockney, St Martins Press, New York.

<sup>8</sup>For this I refer to the critique of the Neoclassical economist Bergson in my article 'A critical look at market socialism', <http://reality.gn.apc.org/econ/mssoccritique.pdf>

than one on the payroll of a building company. Not only that, he can hope to take on assistants, who he will pay an ordinary wage, and profit from their labour.

A worker in a salaried job which requires a university education can also expect to earn more than an employee who left school only with GCSEs. Whether they are in the position of a self employed person or even a small employer is, on one level a quantitative question: are they paid an amount less than, equal to, or greater than the average value created by their labour. In the advanced EU countries an hour of labour creates roughly E30 per hour added value. So those salaried employees earning roughly E30 an hour are financially in the same position as an average self employed trades person could expect to be. Those earning more than E30 an hour or around £45K a year, are getting a portion of the surplus produced by other workers in the economy and thus in a position analogous to a petty employer. Based on the 2009 New Earnings Survey, the proportion of people in this situation is about 10% of employees.

Thus the flat pay egalitarianism that the CPGB are so against would be to the benefit of 90% of the workforce.

*Abundance.* I will argue below, that in discussing communism, much of the left is still reading Marx through the glasses of 1950s Soviet orthodoxy, and reading into him things he never said. This is not surprising since Khrushchev's idea of communism had a huge impact on public opinion in the West via the press, university and even school teaching materials. The Soviet view of what communism was supposed to be was part of the intellectual background that people grew up with.

We can summarise this orthodoxy in three propositions:

- (1) Socialism is identified with the first stage of communism referred to by Marx ; and the distributive principle at this stage is held to be payment according to work done.
- (2) Communism proper was identified with Marx's second stage of communism; and Louis Blanc's phrase about 'from each according to ability to each according to need', is identified with a free distribution of goods based on material abundance. Thus the achieving of material abundance was made the primary task in moving the USSR to communism.

The Great Soviet Encyclopedia explained:

The second part of the party program is devoted to the CPSU's tasks in building a communist society. The program defines communism and points out that the transition from socialism to communism is a natural historical process requiring the solution of three interrelated tasks: (1) the creation of the material and technical basis for communism, (2) the transformation of socialist social relations into communist relations, and (3) the education of all the working people in the spirit of high communist consciousness and the all-around development of a new man who will harmoniously combine intellectual depth, moral purity, and physical perfection.

The program considers the party's main economic task to be the creation of the material and technical basis for communism and identifies its principal elements. The creation of the material and technical basis for communism will ensure an abundance of material and cultural benefits for the entire population. Soviet society will

come closer to implementing the principle of distribution according to need, and state and cooperative-kolkhoz property will merge into one all-people's form of property. The process of building communism will gradually erase the differences between classes, between city and countryside, and between mental and physical work.

The process of economic development was expected to be so fast that the 3rd programme of the CPSU promised that by 1970 the USSR would have overtaken the USA in standards of living, hard physical labour would have been abolished, demand for good quality housing would be largely met. By 1980 the economy would be far in advance of any capitalist country and the economy would move to a principle of distribution according to need. Classes would have disappeared, the difference between mental and manual labour would have vanished and rural living standards would have reached those of the cities.

With the benefit of hindsight it is easy to be cynical about this document drafted by Khrushchev, but it was a detailed step by step plan, which in its day, must have been immensely inspiring not only to communist party members but to the mass of the Soviet population.

On what was it based?

On the one hand it was obviously based on the very impressive growth figures that the USSR had clocked up in the 1950s. These made the overtaking of the USA by 1970 seem a reasonable extrapolation. But by themselves these would just have been promises of prosperity and arguments for the superiority of the planned economy over capitalism. What made the programme more than this was the linking of prosperity to epochal social change. But what did distribution according to need actually mean?

Did it mean that all goods were to be distributed free in the quantities anyone wanted?

The emphasis on economic growth and overtaking the USA would certainly lead many readers to interpret the document this way, but it was remarkably unspecific about it. The whole idea was based on a slim passage by Marx, in the posthumously published Critique of the Gotha Programme.

In a higher phase of communist society, after the enslaving subordination of the individual to the division of labor, and therewith also the antithesis between mental and physical labor, has vanished; after labor has become not only a means of life but life's prime want; after the productive forces have also increased with the all-around development of the individual, and all the springs of co-operative wealth flow more abundantly – only then then can the narrow horizon of bourgeois right be crossed in its entirety and society inscribe on its banners: From each according to his ability, to each according to his needs!

The whole of the section on communism in the CPSU programme has to be seen as an expansion and elaboration of this passage. But what does 'to each according to his need' mean. To understand this you have to look at the previous paragraphs.

But one man is superior to another physically, or mentally, and supplies more labor in the same time, or can labor for a longer time; and labor, to serve as a measure, must be defined by its duration or intensity, otherwise it ceases to be a standard of measurement.

This equal right is an unequal right for unequal labor. It recognizes no class differences, because everyone is only a worker like everyone else; but it tacitly recognizes unequal individual endowment, and thus productive capacity, as a natural privilege. It is, therefore, a right of inequality, in its content, like every right. Right, by its very nature, can consist only in the application of an equal standard; but unequal individuals (and they would not be different individuals if they were not unequal) are measurable only by an equal standard insofar as they are brought under an equal point of view, are taken from one definite side only – for instance, in the present case, are regarded only as workers and nothing more is seen in them, everything else being ignored. Further, one worker is married, another is not; one has more children than another, and so on and so forth. Thus, with an equal performance of labor, and hence an equal in the social consumption fund, one will in fact receive more than another, one will be richer than another, and so on. To avoid all these defects, right, instead of being equal, would have to be unequal.

What Marx was referring to here was something quite specific: that different workers have different needs. Some have families some do not, some have more children than others. Thus even equal hourly pay rates would leave some families and individuals better off than others. To each according to need in this context means that those with children should be paid more than those who are single. Those with specific disabilities which give rise to special needs should be compensated. These are now very familiar principles to us. They lie at the foundation of the welfare state with child benefits, family tax credits, disability living allowances, medical treatment on the basis of need etc. What Marx was saying is that as society becomes richer it will be able to afford a much more comprehensive and generous welfare provision. And who can now doubt that he is right. Rich France can certainly provide a welfare state that would be totally infeasible in poor Côte d'Ivoire.

What Marx may not have anticipated was the extent to which the social democratic parties of Europe would succeed in introducing elements of distribution according to need before they had abolished capitalist exploitation. Most socialists would want these benefits to be more generous and comprehensive than they are, but it is doubtful this view is general. Lots of people who are in work resent even today's level of welfare benefits. That they resent those who are seen as idle scroungers surely has a lot to do with the fact that modern Social Democracy skipped over what Marx saw as the first stage: the elimination of exploitation.

But it is important to note that there is no suggestion in what Marx wrote here, or in his economic writings, that he was an advocate of general free distribution.

*Labour Vouchers.* Nick Rogers had an interesting contribution which touched on important issues relating to communist economy and the transition process by which this can be established. On most points I am in substantial agreement with him, in particular his defence of the use of labour value accounting under communism. Nick, however, raises doubts about some programmatic positions I have advocated for the transition process. I will try to show today that the programmatic

positions he queries actually derive from assumptions about communist economy that both he and I seem to share.

Nick is quite right to point out that it was not only in the privately letter posthumously published under the title *Critique of the Gotha Programme*, that Marx defended the notion of payment in labour vouchers. He and Engels made similar points in published works. In addition to the passage in *Capital* mentioned, Marx and Engels also speak positively of Owen's labour certificates both in *Capital* and in *Anti Dhuring*. In the latter Engels is explicit that a communist economy will do without monetary exchange value and instead do explicit calculations in terms of labour time.

Nick raises the point about labour certificates in order to defend this idea from a somewhat disparaging attitude expressed by Mike McNair. In this scepticism about labour certificates Mike is in the mainstream social democratic tradition which has always held to the notion that a socialist economy will be a monetary one. Kautsky was explicit that money would be required in a socialist economy, and this position was retained by the European CPs where they came to power.

I speak here of the wages of labor. What, it will be said, will there be wages in the new society? Shall we not have abolished wage labor and money? How then can one speak of the wages of labor? These objections would be sound if the social revolution proposed to immediately abolish money. I maintain that this would be impossible. Money is the simplest means known up to the present time which makes it possible in as complicated a mechanism as that of the modern productive process, with its tremendous far-reaching division of labor, to secure the circulation of products and their distribution to the individual members of society. It is the means which makes it possible for each one to satisfy his necessities according to his individual inclination (to be sure within the bounds of his economic power). As a means to such circulation money will be found indispensable until something better is discovered. (Kautsky, *the Social Revolution*, vol 2 part 1)

In my view, this idea that the socialist economy should be a monetary economy is one of the key distinctions between social democracy and soviet orthodoxy on the one hand, and the economic conceptions of Marx and Engels on the other. As far as I know the only communist party to take Marx's positions on labour vouchers even half seriously was the Chinese one during the late 60s and early 70s when they introduced the workpoint sytem on the communes. Under this members of the communes were credited with work points and these were then used to divide the product up at harvest time. This concrete, if rather primitive example, shows the difference between labour credits and money rather nicely.

- (1) The credits do not circulate<sup>9</sup>.
- (2) They denote a claim on the collective product.
- (3) They are not wages paid to buy labour power.
- (4) Economic relations are made transparent and unfetishised by them.
- (5) They prevent the extraction of surplus value.

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<sup>9</sup>Owen's "labour-money", for instance, is no more "money" than a ticket for the theatre (Marx)

If you read Marx's economic writings you can see that all these issues were very important to him. He tried to show that a capitalist economy fetishises relationships between people as relationships between things, that it obscures the process of exploitation by presenting it as an exchange of equivalents : the purchase of labour power at a fair price; and that this form of extraction of surplus labour was the inner secret from which the whole structure of modern society derived. Given the great lengths to which he went in *Capital*, to analyse the whole economy on the basis of labour value, it would be passing strange were this concept to be discarded in his approach to communist economics.

It may validly be said that Marx gave no more than hints as to how it could be applied in a communist economy. But the labour theory of value he developed is a scientific theory with an internal logic and rigour to it, and by understanding the theory one can fairly readily deduce how it should be applied to the sort of economy he described as the first stage of communism. This logical deduction was what Allin and I attempted in *Towards a New Socialism*. The fact that these were logical deductions was confirmed to me when I later discovered that very similar conclusions had been reached by others<sup>10</sup> in the 1930s.

In particular, it is relatively easy to deal with the question of the payment for skilled labour. The key is to distinguish between the cost to the individual in performing an hour's work, and the cost to society of that individual performing an hour's work.

Compare the expenditure of an hour by a bus driver and a rocket scientist. In doing their job each gives an hour from their finite life for the benefit of society. That is the cost to them. The cost to society is, in the first instance, the alternative use to which that labour could have been put. Labour is the great universal resource of society. What distinguishes human social labour from the social labour of termites is that people are adaptable. We can learn different skills. We are not born into genetically determined castes with fixed roles.

The difference of natural talents in different men is, in reality, much less than we are aware of; and the very different genius which appears to distinguish men of different professions, when grown up to maturity, is not upon many occasions so much the cause as the effect of the division of labour. The difference between the most dissimilar characters, between a philosopher and a common street porter, for example, seems to arise not so much from nature as from habit, custom, and education. When they came into the world, and for the first six or eight years of their existence, they were perhaps very much alike, and neither their parents nor playfellows could perceive any remarkable difference. About that age, or soon after, they come to be employed in very different occupations. The difference of talents comes then to be taken notice of, and widens by degrees, till at last the vanity of the philosopher is willing to acknowledge scarce any resemblance. ( Adam Smith, *The Wealth of Nations*, book 1 chapter 2)

This adaptability is at once the material reason why labour is the source of value, and also the unfulfilled promise of human social equality.

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<sup>10</sup><http://reality.gn.apc.org/econ/gik1.htm>

The formation of members of a society as skilled workers itself demands labour time. The students or apprentices must work and practice, and so with their instructors. Education and training presuppose a particular allocation of society's man and woman power: a certain number of people being current students and instructors. That is a matter of population accounting that has to be considered if a society decides to develop a new industry. So if you want a space programme you have to educate and train rocket scientists. If you want an urban bus network you have to train drivers.

Doubtless it costs society more to train a rocket scientist, but it does not follow that the rocket scientist should be paid more than a bus driver for each hour on the job. The cost of training is a cost born by society. So provided that trainee rocket scientists and trainee bus drivers are paid whilst they train for the time spent training, there is no reason why either needs to be eventually credited with more than an hour for an hour on the job.

Mike is wrong to think that "at least the minimum cost of reproduction of social labour-power, including not merely the cost of bare subsistence, but also the cost of acquisition by workers of necessary skills, therefore should appear as a necessary deduction from the 'distributable fund' before the 'additional portion for expansion of production'." He is confusing payment of labour with the labour content of goods produced.

The labour value of a bus ride or of a telephone call placed via a satellite phone is just a name for the labour that society had to allocate to produce that ride, or phone call. It includes the labour expended producing rocket fuel, and also the labour expended in the All Union Institute for the Training of Rocket Technicians or in the municipal driver training school. So there is no need to 'deduct these from the distributable fund'. These costs fall under the rubric of what each individual gives to society in time, they get back in equivalent form. If the total social cost of bus ride, including drivers labour, fuel, training, wear and tear is 3 mins, then the passenger is charged 3 mins on the labour credit card.

There would thus be a distinction between what a person is paid for an hour's work, and the cost of that hour's work when entered into the labour accounts of the producers collective. When the South Star Rocket Launching Collective proposed to the All Union Planning Collective that a new GlobeStar network of satellites be constructed, they would have to budget for both the direct labour and the training costs of that labour.

*State Ownership versus syndicalism.* Nick raises some objections to my proposal that the key objective of a socialist minimum programme should be to abolish exploitation by instituting the right of workers to the full value added.

- (1) That doing this would lead to asset stripping and capital flight.
- (2) That it would be a right to inequality because some worker cooperatives would be earning more per hour than others.
- (3) That it would tend to generate unemployment as workers cooperatives would be reluctant to take on more workers.
- (4) That the whole process of establishing the right to the full value created via cooperatives is a detour from the key task of taking production into social ownership.

These are reasonable objections and point to real difficulties and I should try to answer them.

#### ASSET STRIPPING AND CAPITAL FLIGHT

Suppose that a European Democratic Union is established and that the first act of the citizen's assembly is the abolition of wage slavery and the right of labour to full value added. How will the owners of let us say Airbus Industrie react?

Doubtless the individual owners would try to sell their shares as fast as they can.

Well there need be no prohibition on their so doing, but would they succeed in pulling their capital out?

No. The prices of the shares would, overnight, have fallen to mere pence. With the abolition of wage labour as a social relation, their property would have ceased to be capital. When the expected future returns on the shares became zero the certificates would be practically worthless. They would not be able to pull their capital out because capital as a social relation no longer existed.

Compare their situation to that of a rich urban resident of Savannah in 1861 who owned shares in slaves over a number of plantations. So long as the slave system continued, he could trade in these shares. After the emancipation proclamation abolished the social relation of slavery, and more particularly after the victory of the North became imminent, his shares would have become worthless.

There remains the risk of physical asset stripping - selling Airbus machine tools to Boeing for example. To guard against this we wrote:

If unions won court actions giving employees the full value that they created, then there is a danger that some firms would attempt to close down and fire workers rather than continue in business. Thus legislation aimed at protecting the rights of labour would have to include the right, after a suitable ballot of employees, for employees to elect the majority of the board of any company. ( Cottrell, Cockshott, Dieterich: *Transition to 21st Century Socialism in the EU*, <http://www.puk.de/de/nhp/puk-downloads/socialism-xxi-english/32-transition-to-21st-century-socialism-in-the-european-union/download.html>)

#### DEFICIENCIES OF COOPERATIVES

Nick argues that cooperatives have the disadvantage of freezing in inequalities due to the random operation of the market, and may lead to one cooperative trying to exploit other workers. These are fair points and I have myself argued similar things against advocates of market socialism<sup>11</sup>. Market socialism is an unstable formation. It either evolves towards a fully planned communist economy or reverts to capitalism. Despite this there are, I think, reasons to believe that it could be a more successful transitional form than the social democratic model of general nationalisation.

If we look back at the social democratic experiments in countries like Czechoslovakia and Russia last century we see that the general nationalisation of the economy actually froze monetary relations in. Money wages were still paid. Money prices

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<sup>11</sup>Cockshott, A critical look at market socialism, <http://democracyandclassstruggle.blogspot.com/2009/06/critical-look-at-market-socialism-by.html>

were charged in the shops. Notes and coins circulated. The prices were administered and the movement of raw materials and capital goods was regulated by a politically determined plan rather than a market, and there was no class of private owners so it would be unrealistic to call these capitalist economies. But nevertheless, state firms did make a profit. They sold their output at more than they paid in wages. The surplus they made was largely transferred to the state budget. In the USSR this was called the turnover tax. We might call it VAT. The Germans call it *mehrwertsteuer* - which perhaps shows its close relation to the extraction of surplus value. The Czech and Russian socialist experiments got rid of unemployment and the anarchy of the market but retained money and surplus value.

The Yugoslav co-operative experiment got rid of surplus value, but retained money, unemployment and the market.

21st century socialists want to formulate a combination of policies that would get rid of unemployment and market anarchy along with money and surplus value. Let me sketch a possible strategy.

*First Stage.* Constitutional provision to prohibit wage slavery and give workers the right to the full value they collectively produce, and an attendant right to elect a majority of company boards. This moves the economy to a Yugoslav co-operative model in which firms are run for the benefit of their employees.

It is important to note that this measure would mean an immediate and very substantial rise in incomes for almost all workers. It thus accords with their immediate interests in a way that nationalisation does not. It should go without saying that successful political movement has to appeal to the direct interests of a large mass of the population.

*Second Stage.* There is a process of industrial merger across the continent so that there is a *Europischebahn-Verein*, a merged Air-Europe, an *Association des constructeurs automobiles europens* etc. An *Association des Travailleurs Laitire Europeenne* would be running what was *Farmelat*, *Campina*, *Dannone* etc. This stage removes Nick's objection that some yoghurt producers would be more efficient and profitable than others. When all dairys are run by a common continental syndicat there can be a move to common rates of remuneration and a common technological level across all of them. Workers in the more advanced ones could give technical advice and support to their brothers and sisters in less advanced plants.

This, I think, is the sort of 'free association of producers', that old Charlie was on about. It gives employees collectively the experience of industrial planning before moving on to a more general socialisation. The continental industrial unions would collectively establish a planning council equipped with computing facilities to allow cybernetic regulation of the economy.

The European trades union movement would obviously have a key interest in promoting this sort of continental merger to advance the values of fraternity equality and co-operation.

*Third Stage.* Assume that from stage 1 the Euro is tied to the labour hour (currently it is worth about 2 mins) and the time value of the Euro notes printed on them. This would have acted as propaganda against the system of wage labour. Now a proposal is put to popular referendum to abolish the existing monetary system *and with it all debts and interest on debts*. This would polarise the population between a majority who would benefit from the cancellation of debts and

the residual capitalist rentier class who no longer had any productive role. Assuming support can be won for the proposal, a continent wide system of labour credits would be brought into place. These would be non transferable to prevent the re-emergence of speculation and money-lending etc and could only be used to get goods produced by the great workers industrial associations.

My feeling is that socialist economists have a duty to put forward detailed and practical socialist transition measures that we can put forward to the European trades union movement. These have to be an integrated set of steps that can be seen to be economically practical provided political obstacles are overcome. Only in this way can the labour movement have an international political voice and directly challenge the policies being advanced by the Commission and the governments nation states.

Paul Cockshott