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Towards a New Socialism

Paul Cockshott

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My name is Paul Cockshott; I am the co-author of the book *Towards a New Socialism*, I wrote with my friend Allin Cottrell. We wrote it in response to a political situation in the 1980s, where the Soviet Union was obviously getting into difficulties, and within Britain pro-market ideas were spreading in the Labour Party. Particularly influential at that time was the professor for Soviet studies at the Glasgow University who wrote the book "Advocating Market Socialism". He was an expert in the Soviet economy, so his arguments seemed convincing, and they certainly convinced the leadership of the Labour Party in Britain. But we thought we could refute those using ideas from modern computer science and also from classical political economy – and that's what our book was about.

We are in the 21st century and people start to think again about the viability of socialism. It seems to me that there are now a number of people coming together and saying that there are three key ingredients to a viable socialism today.

One of them is the replacement of money and prices with value-based economics, with economics based on labor time. The other is the use of the much more advanced information technology we now have, to make rational and detailed planning of the economy envisionable in the way it wasn't before. And finally, the principle I think most modern socialists would advocate, is the replacement of representative democracy with some form of participatory democracy, to give the majority of people real control over the disposition of national income.

The question why socialism would be preferred to capitalism can't be answered in the abstract, in general, because not everyone is going to prefer it. Who is going to prefer it, is going to depend on, basically, if you are rich or poor. The studies we've done on the distribution of income in Britain indicate that if an egalitarian system of payment was introduced, the overwhelming majority of the population would benefit. We calculated, in the early nineties, how much a person would get, if an egalitarian system of payment was introduced. And the only section of the population, which would lose out was the top 25 percent of men in office jobs. All manual workers, male or female, would win out, all quartiles or female workers would win out, and three quarters of male office workers would win out. The people who would lose out are a small minority of the best-paid people and an even smaller minority of people driving their income from property.

One of the points that Nove brought out in his book was the inability of the Soviet planners to plan in detail. You can take examples: They could set up a plan for the pairs of trousers they are going to make, but they did not necessarily get the right plan for the number of zips they are going to have for the pairs of trousers, so that you end up with trousers without zips or shoes without laces. That kind of thing came from the fact that the plan

targets were set in aggregate terms. The plan targets were set for a couple of thousand categories for goods, and they were set in money terms. They were not set in terms of the actual physical products that were going to be made. You contrast that with the system of product codes, which was introduced in the capitalist world in the 70s, a bar code system that enables every single individual product to have a unique identification number. The modern supermarkets have a feedback system, whereby they know exactly how many of every product has been sold. You need a planning system that goes right down to the product code level, if it is going to be efficient.

I have done experiments with a modest computer costing maybe 5,000 Pounds, which our department has, and found I could solve the equations of an economy roughly the size of the Swedish economy in about two minutes. If one had used the types of computers, which the Physics department here or any weather forecasting center has, then it would be a very easy matter to solve the equations.

The remaining problem is the problem of obtaining the information, collecting the statistics. And that also is becoming a lot easier, because when you think of it, every production facility nowadays uses computers for ordering its components. It uses computerized spreadsheets for calculating its costs. The data is already being entered into computers and into databases. In many cases, users and suppliers share these databases already in the capitalist world. At the same time, companies like Google have developed the technology to send spiders across the web and concentrate enormous amounts of information in their servers. Were it the case that companies generated web pages containing the information about what they needed to produce each of their product, then that could easily be captured by systems analogous to

Google. What stops it to be done at the moment is obviously commercial secrecy. Companies don't want others to know what they are doing. But if we envisage a system of publicly owned enterprises, there is no reason why they shouldn't publish their resource requirements as web pages or by some appropriate submission system to a database, and collect the data that are required for planning.

The idea of using labor vouchers, instead of money, goes back a long way in socialist thought. The first person to propose it was Robert Owen, who proposed it in probably the 1830s or so. His idea was that you get rid of banknotes and people would be paid in labor notes. If someone had worked, let's say five hours during the day producing something, they get labor notes denoted in five hours, and you could then go to a corporative store and buy goods that have taken five hours to make. If you did that, the middleman would have been cut out, no profit would have been made, either for the shop, or by the employer and therefore the main cause of exploitation would be got rid of in one stroke. The idea was adopted also in one form or another by Lassalle, Proudhon and Marx. All the nineteenth century socialist leaders advocated it.

Another difference between labor vouchers and money, however, is that money can circulate between people. And that is the basis on which capitalist exploitation is based: Employing people, and then giving them back only half the value they produce. In order to prevent this, Owen's scheme was, that these labor vouchers would not circulate, they would be canceled out, once people had handed them in to the corporative store, they could only be used once. And therefore, you couldn't get a circulation of capital arising. Nowadays, you wouldn't necessarily have to do that with paper, you would obviously use a kind of electronic accounting system, similar to credit cards, but the same principle applies.

One of the problems, which socialists always encounter, is people saying that if you reduce income differentials, there would be no incentives. If you take this in the case of labor vouchers, you have to realize what the labor vouchers are been given for. They are been given for people performing work of average intensity, and where it is possible to measure physical productivity. If one person is physically turning out more goods in an hour than another person, then it is possible to pay one person more than another, because you know they are physically producing more. When it comes to highly collective work, where a lot of people collaborate, then it is not so easy to say that one particular person has contributed more or less to that. Under those circumstances, you can't rely on that kind of incentive. But if you think that only monetary incentives are relevant, you have to explain two very important features of the modern world: One of them is the success of the Japanese economy, where people are not paid monetary incentives in the companies, but they tend to be paid a salary which depends on the number of years service. And, this does not stop Japan having the most productive workers in the world.

Then you take another example and look at two people: You look at Bill Gates and Linus Torvalds. Bill Gates owns a company whose developers produce Windows, and Linus Torvalds wrote the original Linux operating system. Linus Torvalds and the other developers of Linux do it for love of workmanship. They do it from love of producing something useful. And, in the end, they have produced something more useful than the people with monetary incentives like Bill Gates. If you look at the Internet now, it runs largely on Linux servers. It runs using Apache web servers. All of this is software that has been written by people just for the love of doing it. One should not underestimate the extend to which people have a pride in their work and want their work to

be done well, and they are willing even to do this, as the free software movement shows, without being paid at all, if the satisfaction of the work is enough.

If you had a system of people being paid by labor vouchers, the average person would get roughly twice as much as he gets now; or twice, before taxes, the income they get now. Because it is a general feature of most capitalist economies that income tends to divide roughly 50/50 between wages and profits. It is a slightly lower level of profits than that in Britain; but historically, over time, it tended to be roughly 50/50, so that you can see roughly a doubling of real incomes. You always have to pay taxes on top of that, but the pre-tax income would roughly double.

The question is: Whether people who had more education should be paid more? In a capitalist economy, they get paid more if there is a shortage of that particular skill. Particularly, for example, if you look at doctors in the United States. They are paid extremely highly, because the American Medical Association acts to restrict the supply of doctors. If, on the other hand, you have in a capitalist economy, a profession, which requires education but there is a lot of people educated for it, like media studies, for example, – a lot of people have been educated to do media studies at the moment – and the salaries that they get from that are not what you get as an average manual worker. The reason is the supply and demand of that case. But, more generally, if you take professions, which are paid highly in the capitalist world, it tends to be the case that the education is expensive and only rich families can afford to send their children to get that education, and therefore the supply is restricted. If the education is paid for by the state and people are paid a salary once they are students, then there is no particular reason why the individual should benefit from that. The costs of education have not been met by the individual, but they have been

met by the taxpayer. If the restriction on entry due to lack of wealth is removed, one would expect to see the shortage of supply to be removed as well. If one compares the situation of doctors in the United States with doctors in the Soviet Union, doctors in the United States were relatively scarce and highly paid, doctors in the Soviet Union and Cuba are plentiful and not particularly highly paid. But it doesn't stop people wanting to become doctors, because many people want to become doctors for humanitarian reasons.

One of the key differences between a socialist economy and a capitalist economy is that in a capitalist economy, there is always unemployment. This unemployment acts as a stick to beat the worker to work harder. In a socialist economy, where the allocation of resources is being planned, you tend to get full employment. You had full employment in all the socialist economies, when they existed. However, full employment could come in two forms: It could either come because, in the economy as a whole, there was sufficient demand for labor to take up all people who are willing to work, or it could come because people had a right to work at one particular workplace where they started work. And if you had the latter form, you run the danger that the economy will become set in concrete. It becomes very difficult to reallocate resources to new industries and to run down old industries, as taste or technologies change. So, it has to be the case that the state guarantees people a job, but it does not necessarily guarantee them a job at the same place indefinitely. If factories are being closed down, the state must guarantee to create an equal number of jobs elsewhere in the economy, before they close those factories down, so that people can transfer. But it does not mean that you keep on running the same factories as you run in the year 2000 till the year 2050.

Originally democracy meant rule by the mass of the people – especially Aristotle makes this clear – it means rule by the poorer mass of the people. The system we have now is called democracy, but is actually a system of electoral rule, which according to Ancient Greek political theory at least, should be better described as an aristocracy or meritocracy than a democracy. Because any system based on elections is based on a principle of selecting people who appear to be the best to rule.

Who appears to be the best in any society? The people who appear to be the best are always the rich and better educated. Aristotle says, the better educated, the more vocal are nearly always the richer sections of society. And you can see this most clearly in the United States, where to become a political candidate for the presidency, you either have to be a millionaire yourself or have the backing of millionaires. But even if one were to look at a European parliament, or take the European Parliament, and look at the cross-section of the population who is represented in the European Parliament, look at the percentage of men and women, look at the percentages of people from different social classes, look at the percentages of people from different races. Does this actually represent the population of Europe? It clearly doesn't. Anybody who had a job from a polling company and selected the Euro MPs as a group to poll to get a representative sample of opinion in Europe, would be fired from his job. It is clearly grossly unrepresentative.

There is a scientific way of getting a representative sample, and this is random selection. And that is actually how the Greeks did it. If you go to the museum in the Agora of Athens, you can actually see the old voting machines the Ancient Greeks used. They were made out of marble, and the brass parts have long since disappeared. But they were based on the principle, you put your ID card into the

machine, turn the handle, or an assistant turns the handle, and if a white ball emerged, you were elected, and if a black ball emerged, you won't. They randomly selected, whether you were going to be a member of the council or not. And that is the only way you can get a representative sample to form a deliberative body.

The other system they had in Ancient Greece was a town meeting, where votes would be held on major issues by the show of hands. Obviously, nowadays, you can't get the whole of a country together into a square to vote on something. But you can get the whole of a country together to vote who is going to stay in the *Big Brother* house or other television reality shows by using their mobile phones. The same technology could be used on important issues that have to be decided by the population as a whole. The sorts of issues, which really demand that kind of democracy, I think, are issues like war or peace, whether or not taxes should go up, the major outlines of the national budget. Major issues like that should be put to the population, as a whole, in a referendum.

One of the possible drawbacks, I suppose, of a democracy is that you can't predict what people are going to decide. But all that one can say is that decisions made by a large number of people tend to be better decisions than decisions made by one or two people. In general, the more people were asked their opinion about something, the more people who decide on something; if you average these decisions, the decision you get tends to be better than the decision taken by one person. The best hope, I think, for getting ecologically sensible decisions is, firstly, to raise the decision from a private decision, which is made by the individual, to a social decision, which is made collectively, and, secondly, to involve as many people collectively as possible in making that decision. If a lot of people are engaged in making a decision it raises debate and discussion about the issue. If people have a say on

something, they will take more interest in that and deliberate on their decisions.

A transition to a socialist economy has to go though an intermediate stage of a transition to a cooperative-based economy. The very first issue is an issue of democracy. The very first issue is an issue of the undemocratic nature of the current state and the need to replace it by a more democratic state, because we don't think that you can get the really radical changes in society that we advocate unless you have a much more democratic state structure. So, the first type of movement is a movement against the existing state and for direct democracy. Economically, however, we envisage the first stage of a transition being legislation, which allows a vote of the employees in an enterprise for that enterprise to be transformed into one that is a worker-managed enterprise, in which a majority of the managing board are elected or selected, by lot, from the workers, and a minority are appointed by the shareholders. Such a managing board is likely to want to pay considerably less dividends to the shareholders than the existing ones. The process of actually transforming the economy to a fully socialist economy cannot be done too rapidly, because you need to first put in place an alternative planning system. You have to set up a shadow planning system first. And you will then need to have a shift from a monetary economy to a labor-value economy. Now we have seen that in an analogous way occurring in Europe, where there was a shift from the national currencies to the Euro after some years planning. And what occurred was, that beyond a certain date the national currencies ceased to be recognized as a legal means of paying debts and taxes. The same process would have to occur: You would have to say that beyond a certain date all payments would have to be made in labor-vouchers.

An effect of that is that it would be a debate of whether such a law should be passed, which would be enormously polarizing. Because those people, who hold large amounts of money in the old system, would lose out, and those people, who have large debts – or even small debts – in the old system would benefit. In a modern economy, where the majority of people are debtors, I think that is potentially a very significant factor in a vote to abolish money and move to labor money, because the majority of people would benefit from that, whereas the millionaires who hold large amounts of money at the moment would obviously lose out. Their money would become worthless. So it poses the issue of wealth and poverty in a particularly sharp fashion, and it poses the issue of debt and credit in a particularly sharp fashion. I see that is an important final deciding issue.

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