11 2006

The Socialism of the 21st Century

Heinz Dieterich

Transcription of a video by O. Ressler, recorded in Heinz Dieterich's birthplace Rotenburg / Wümme, Germany, 26 min., 2007

My name is Heinz Dieterich and I am originally a German citizen. I went to Mexico about 30 years ago; after I studied economics and sociology at Frankfurt with Adorno, Horkheimer and Habermas. The idea to do something about a new civilization arose very early. In fact, once the real socialist states crashed, then we tried to find a new theory and the basic problem was that in economics there were no audacious thinkers who would be willing to go beyond the market economy. And then, Arno Peters showed up, a real extraordinary genius at Bremen University. He had been working on various theories and when we got together, we joined our efforts. Then, the new theory and the so-called Bremen school took off.

We know from science that there's nothing in the universe that is not a movement; that is not moving. Movement means change and change means transformation. So the question not really is if anything changes; but its productive cycles: When does it get into existence? What are the stages of development? When does it perish? So that's the question about bourgeois society, as it was

about slavery, for example. I've come to the conclusion in my studies that the basic bourgeois institutions, underpinnings, are not able to resolve the major problems mankind faces today; unemployment, destruction of the environment and so on. So then, if that is a sign that bourgeois civilization is getting closer to the end of its productive cycle, that it will perish. Then the question is: What comes after it?

The basic premise of my book is that you need to have certain objective conditions to have democracy; you cannot have democracy, just as a wish, and impose it on any objective world scenery or acting. First of all, there has to be a certain level of material well being, you need a certain quality of life. That implies that you can have a very extensive educational system, which is open and free for all, and then of course you must have the willingness in the people to have a democratic society instead of, let's say, a theocratic society. At the end, you need an economy that sets you free from unnecessary work so that you have time to participate in public affairs. I think these conditions have been reached today so that the authoritarian development of social democracy and historic socialism in eastern Europe was a phenomena much do to the circumstances of the World Wars, the Second World War and then of the Cold War and that there's no need to have that once again. You cannot substitute democratic participation by the rule of surrogate force, the Communist Party in that case, neither, of course, of a capitalist elite, and, neither, of course, of a state bureaucracy. So, I think we've all learned from these things. The objective conditions are much more prone to a real participatory democracy. I think there's never been a better chance to have a real direct democracy than we do have today.

Well, of course, the new society, the new civilization in its transition phase has to be different because conditions in Africa are

very different to Latin America and to those in Asia. Those in Asia are much different to those of Europe. But, I think the basic institutions of transitions are quite clear; if you want to have a new civilization, you need a new economy qualitatively different. The market economy which you have today, which is in its capitalist phase, has been around for about 5,000 years and now it's totalitarian, it's absolutely dominant. But if you want to get to a post-capitalist society, then you will need a post-capitalist economy. That means you have to finish a market economy.

Now what's the basic point? It's not any more what was thought in the 20s and in the 30s, just by removing private productive enterprise and property you would automatically land in socialism. We know today that this is simplification of the problem. And we don't think that building cooperatives, for example, which are now very common – being built in Venezuela – will take you to socialism either. What then is a socialist economy? I think that the principle chain of exploitation and command in a market economy, which is property and price formation, which leads you to the appropriation of the surplus by the owner of the means of production, that that chain has to be broken.

I think that the decisive element is that you have to redefine the concept of exploitation. Exploitation does not necessarily mean that you are the owner of the means of production. If that was case, then a manager, for example, in a transnational corporation or a bank or whatever, who is not the owner of the bank, will not be an exploiter, even though he makes 10 million dollars a year, for example. Arno Peters came up with a quite sophisticated and intelligent definition. He said exploitation is whenever a member of society takes more out of the general social richness, which has been built up and produced in a year, if he takes out more than what he puts into it.

For example, if you create a certain amount of merchandise or services in 40 hours of a workweek and if you receive the equivalent, let's say the equivalent of 300 hours of work while you only put in 40 hours, then that would be exploitation. So everybody that can work will only have an income that derives from productive work and it will be directly proportional to the amount of hours you put in. And, I think that is a very extraordinarily helpful definition, which we should use. So if you want to end exploitation, you don't need to take the private property away from the owners of means of production. It will be sufficient to take away the possibility to use them as means of exploitation and that you can do by directly relating the income that derives from the ownership – well there wouldn't be, in fact, any income from the ownership – you would determine that the income would be directly proportional to your working effort. And, if you do that, then a machine or a bank is no longer a machine of exploiting other people.

Now practically, what would be the first step to do that? The first step, in fact, would be to establish a new cybernetic principle; you need something that coordinates billions of economic transactions everyday. And, so far, the market has been a relatively well-functioning system under two conditions: If the market is not monopolistic and if you have buying power for the merchandise you produce and for the services, then the market coordinates quite well. You can go to a gigantic country, like the United States, and you can buy practically anything, in any place in that gigantic country, at any time. So, it works quite well, if you meet these two conditions.

But, if you don't, then it's quite a failure. For example, education, free secular education for all, social security, all these things are quite poorly served by the market. So, it's a mixed picture. But,

anyhow, if you want to substitute the market you must have, first of all, a guarantee that there will not be an unequal accumulation of wealth, as we have today. That means that you have to control the accumulation function of capital. Second, you have to guarantee it's cybernetic capacities. You have to have a mechanism, which is at least as functional as the market in coordinating, but if possible even better. Let's say faster in its time to react to changes in consumer behavior and stocks and things like that. And, I think there's only one element, which we can use, and that would be value. Value as defined by Marx, for example. Value is the time-inputs you need to produce commodity. So you would only speak about socialist economy in a scientific sense, if you had decisive sectors of the macroeconomic system being governed by this new regulating principle, value, and not by price.

And, secondly, if you had at least a democratic input by the people in three dimensions. On a macroeconomic level, let's say, for example, a national budget has to be decided upon each year by the citizens; secondly, on the municipal level; and, thirdly, on a micro level, well, the factory, the enterprise, the administration you work on. So, if you don't have these two conditions, the substitution of the market price mechanism by a value mechanism. Secondly, the determination of the production structure according to the needs of the people on three levels; macro, micro, and meso level. Then, I think, you cannot speak of a socialist economy. In that sense, there has been no socialist economy since the French Revolution because all the so-called socialist economies in the German Democratic Republic and the Soviet Union; they were, in fact, semi-market economies because they were governed by prices and the national prices were part of administrative prices, not market prices. Where they used market prices, they took it from the world market; so there was no real socialist economy.

The third thing you have to determine is what's the value of product. I mean, what is the sum of all the time inputs that you need to produce it. Once you have that sum, which is the equivalent of the market price – but in a more democratic, more transparent way – then you have to guarantee that products are really exchanged with a real value. It's not enough to know what is a just exchange, you have to have the state power to guarantee that nobody violates the law and begins to exploit through profit margins or commercial margins. So, the equivalence principle means that two products, which you exchange, have the same amount of labor time, which you need to produce them. For example, let's say you have a pen that requires ten minutes to produce and then you have a glass and the glass requires five minutes. If you want to have a just exchange, you need to have two glasses for one pen. Why do you have this exchange relationship, these terms of trade as you would call them in economics? Because, two times five minutes work input, work effort to produce two glasses is equivalent to one times ten minutes to produce the pen. And, then you have justice, because the same contribution to social richness measured in labor time is being interchanged; so there is no cheating, there is no exploitation, there is no unjust accumulation of wealth. And, that is a major problem, substitute market price for work value and then guarantee that commodities are exchanged due to their real value. So, that is justice in the whole system.

You must understand that market prices or values do not only apply to commodities. The salary is a price. It's a price for your work, for your work force. Now, if you need a loan, the interest you pay that is the price of the money. So everything in a market economy is governed by prices. It determines your quality of life. So, you have to substitute that principle by value, by the effective

contribution of any and all economic subjects to the gross social product. And, then you will have economic justice at the production level. Now, you only have it at the redistribution level.

The state confiscates part of the surplus, then it hands it out to children, to people who cannot work, are sick and so on. So, the first level of social justice would be on the factory floor and that is through this equivalence principle.

You would have a totally different distribution of wealth on the global level. You know probably from the statistical record that today about 82 percent of world income ends up in the first world. One billion people have 82 percent of world income and the rest, which is about 80 percent of the people, have just 20 percent of the world income. That would be totally changed, because the current system is made to produce that effect; it's an asymmetrical system which tends to have you hand over the surplus from each part of the world to the dominant centers, which is the first world. But, it will be different. What will also be different is that within one economic region, take the European Union, the rate of exploitation in Germany is about 65 percent and, in Greece, it's about 200 percent. So if you would pay workers according to the labor time that they contribute to economic wealth instead of by prices and salaries, then in Germany most of the workers would earn 65 percent more than what they earn today.

Of course, at the higher echelons, the top would lose; but, it would be much more egalitarian distribution of wealth. Now, in Greece, the workers would gain much more because the exploitation rate is much higher there. Then, the new system would end the disparities between the first and the third world. There are different mechanisms that the first world uses to accumulate wealth produced by the third world. One is the foreign debt, for

example; but the other mechanism, even more important, is terms of trade, which is their relationship between prices for industrial products and raw materials, which always tends to be in favor of industrial products. So, if you end terms of trade, if you end the price mechanisms and you exchange the time inputs which produce one country and another country, that will end. The exploitation of women and the lower salaries and wages would end. Because it wouldn't matter if you worked 40 hours, then the value of your contribution to society is 40 hours. It doesn't matter if you are man or woman. It doesn't matter if you live in Africa or in Germany, a worker at Volkswagen in Germany makes, let's say 3,000 dollars a month and the worker who does the same job in Mexico makes 800 dollars. So, why does the German get four times more income than the Mexican who does the same work? So all these differences – sex related, geographically related, education related – would disappear. You would have a much more equalized distribution of wealth. That, of course, would have repercussions on the whole production structure. You would not have that concentration on luxury goods that you have today; but you have a much stronger production on the means necessary to lead a decent life. Like houses, for example, there is a tremendous shortage of houses; you would have more houses because people who need the houses would have more money to buy them and things like that. It would be a qualitative change in the whole economic system.

You have to go to a planned democratic socialist economy. And, I think, we must be realistic and we must gradually substitute the market with all capacity to plan. Now, that has several components. One is technology. Computer hardware and Internet hardware advance very fast. Software also advances very fast, so the basic technological structure you need for an economy planned by the people is really by itself getting into place. But then, you have a

power problem, because information is a lot of power. Today we have hierarchical societies.

Even the socialist societies were vertical. And so, we remember, for example, that in the 60s in the German Democratic Republic under the government of Walter Ulbricht, he introduced a system that was called the New Economic System, reminiscent of Lenin's New Economic System. There was a democratization because it gave more power to the individual factory to decide. And, after a couple of years, that was cancelled. Why? The basic obstacle to implementing it was the middle-level hierarchy of the Communist Party itself, of the unions, they were the obstacles – and the higher party itself – because if you give a factory a margin to decide on its investment, you create a power. You create a decentralized power system that competes with a monopoly of power that a party has. Nobody who has a monopoly of power is willing to share it. So, if you don't have the power then to decentralize this by force, it won't work and it didn't work in the German Democratic Republic. At the end, it was the party who decides and not the factory and you pay the price on the factory level because it won't work well. And, that is the third element, it's a problem of real democracy and a planning and a decision process, which is also difficult to solve.

And, finally, you have to, as far as I'm concerned, you have to do away with the illusion that there's a new human subject in a revolution. "*El Hombre Nuevo",* like Che said, for example. The new people, the new revolution and people change, they stop being selfish, they stop intriguing against other people, narcissistic and so on. And, that, to me, is an idealistic way of thinking. To me, that is an importation. That is an import from Catholic theology; that once the sinner meets the Virgin, then the sinner turns into a saint and changes his ways of doing things. And, I think that was

imported in a nonmaterialistic and a nonscientific way into socialist theory. We have to get rid of that. We have to know that jealousy, power pretensions, material wealth and so on; all of them will be very powerful obstacles to a new society.

So, if you put all of these things together, we live in an information-technology system, objective conditions are a thousand times better for socialism than before. But, it will be complex task and it will take a long time to finish it.

I think it is a misunderstanding to think that participatory democracy will be that everybody decides any trivial subject. That was tried in the French Revolution and, of course, it leads to immediate breakdown of operational capacity of the state. First of all, it's impossible that everybody decides on everything. And, second, it's not necessary. The trivial things in a small village; they have to decide if they put lights in the streets or not, that doesn't mean a referendum, I guess. So you will have a mixture of direct democracy where you have electronic plebiscites and referenda and of representative democracy. And, the important thing is that you extend direct democracy to the economic, the political, the cultural and the military sphere. You cannot exclude any of these four basic social relations, which form our life. And, that of course, requires another objective condition. People must have free time to inform themselves what economists know, what political scientists know and so on. They need time to debate alternatives. So direct democracy today is possible because you have the technological basis, the Internet. You need the decision and information transmission in real time in gigantic geographical spaces. And, that we can do today. So for the first time since the Greeks, that it is really possible to have a direct democracy, where the will of the people decide the important issues.

Take, for example, the decision on war. Do you go to war? You don't go to war? Today that is being decided by a few parliamentarians and business bosses. That must be decided in a referendum by the people. Today with the electronic instruments – we have computers and the Internet – that is very easy and very fast to do. Today we can have very direct democracy; before there was only the possibility of bourgeois representative democracy. Today we have the alternative to substitute the formal democracy and the bourgeoisie by the people.

The text has been edited by Harald Otto in the course of the project transform *(http://transform.eipcp.net).*