On Marxism and Producer Cooperatives

Bruno Jossa*

Department of Economics, Management and Institutions, Italy

*Corresponding Author: Bruno Jossa, Department of Economics, Management and Institutions, Italy, Email: bruiossa@unina.it

ABSTRACT

Marx, much like the German philosophers and chiefly Hegel, conceived of world history as a unitary process and an everlasting revolutionary avenue towards liberation, and that the uniqueness of his approach lay in the way he consistently prioritised a comprehensive global approach. In the light of these ideas the point analysed in this paper is whether the introduction of an all-cooperatives system may be considered a Marxist proposal.

INTRODUCTION

In a 1935 paper weighing the benefits and shortcomings of Marxian political economy against those of mainstream economic theory, Oskar Lange [1] argued that the former admittedly fell short of the latter in areas such as pricing and resource allocation, but offered other major advantages: specifically, in addition to bringing to the foreground economic organisation patterns, class divisions in society and different modes of production, it mainly aimed to reveal the laws governing the evolution of human society in a long-term perspective. Gramsci similarly argued that it is not from scientific advances that we are to expect solutions to the problems traditionally explored by philosophers and economists. Philosophical and economics insights have instead come from notions such as ‘social production relations’ and ‘mode of production’. In other words, the strong points of Marxian theory can be summed up as follows: it highlights a sequence of different production modes in history (the mode of the ancients, feudalism, capitalism, etc.), suggesting that capitalism can hardly be the last link in this chain; and it makes clear that the mechanisms and evolution of each production mode obey specific laws and rules and that individual behaviour is greatly affected by the way production activities are organised.

Those who rate Marx’s ‘history-as-totality’ conception as the true core of his theory of society attach major importance to the concept of ‘mode of production’. In Marxian theory, production, distribution, exchange and consumption are different links of a single chain, i.e. different facets of one unit. Commenting on this point in a youthful work on historical evolution, Lukács [2] remarked that Marx, much like the German philosophers and chiefly Hegel, conceived of world history as a unitary process and an everlasting revolutionary avenue towards liberation, and that the uniqueness of his approach lay in the way he consistently prioritised a comprehensive global approach.

In the light of these ideas the point to be analysed in this paper is whether the introduction of an all-cooperatives system may be considered a Marxist proposal.

MARX UPON AN ALL-COOPERATIVES SYSTEM

In the Inaugural Address, Marx wrote: “But there was in store a still greater victory of the political economy of labour over the political economy of property. We speak of the cooperative movement, especially of the cooperative factories raised by the unassisted efforts of a few bold ‘hands’. The value of these great social experiments cannot be over-rated. By deed, instead of by argument, they have shown that production on a large scale, and in accord with the behest of modern science, may be carried on without the existence of a class of masters employing a class of hands; that to bear fruit, the means of labour need not be monopolised as a means of dominion over, and of extortion against, the labouring man himself; and that, like slave labour, like serf labour, hired labour is but a transitory and inferior form, destined to disappear before associated labour
plying its toil with a willing hand, a ready mind, and a joyous heart” [3].

The Inaugural Address of 1864 has been described as the rough draft of a political economy of labour [4]. Some authors have pointed out that upon its publication Marx remarked that only a nation-wide system of producer cooperatives created with State aid would amount to a socialist system and that “this fell short of the socialisation of the means of production – a slogan which Marx could not at this stage have incorporated into the programme of the International without antagonising the bulk of French delegates” [5].

In the third Volume of Capital, Marx also argued:

“In the third Volume of Capital, Marx also argued:

“With the development of co-operatives on the workers’ part, and joint-stock companies on the part of the bourgeoisie, the last pretext for confusing profit of enterprise with the wages of management was removed, and profit came to appear in practice as what is undeniably was in theory, mere surplus-value, value for which no equivalent was paid” [6].

These quotes leave no doubt that Marx looked upon an all-co-operatives system not only as feasible, but as bound to assert itself in history, as a new mode of production which would wipe out hired labour and a system where privately owned means of production – capital – would cease being used to enslave workers. In such a system, he claimed, workers would no longer be exploited and, even more importantly, would be freely and willingly working for firms owned by themselves.

The system of producer cooperatives envisaged by Marx was a market system that makes workers “their own masters” [7] and deprives capital owners of the power to make decisions in matters of production. In Marx’s opinion, this system is “in accord with the behest of modern science” and, inasmuch as it is a new mode of production arising right within the older mode of production and supplanting it, it is even more efficient than capitalism.¹

¹In Abendroth 1858 [8], Marx and Engels are said to have consistently striven to come to terms with the awareness that the actions of people in society, though autonomously devised, tend to evolve in directions other than those that had been – and could be – anticipated and end up by shaping the subsequent path of mankind. From Abendroth’s perspective, this means that unless and until this

Both the equation of an all-cooperatives system with a new mode of production and its assumed potential for outperforming and superseding capitalism are underscored in numerous often-quoted passages from Capital, vol. III. On pages 570-71, for instance, Marx describes joint-stock companies as firms which will lead to the abolition of the capitalist mode of production “within the capitalist mode of production itself.” Further on, he also argues:

“The co-operative factories run by workers themselves are, within the old form, the first examples of the emergence of a new form, even though they naturally reproduce in all cases, in their present organization, all the defects of the existing system, and must reproduce them. But the opposition between capital and labour is abolished there, even if at first only in the form that the workers in association become their own capitalists, i.e. they use the means of production to valorise their labour. These factories show how, at a certain stage of development of the material forces of production, and of the social forms of production corresponding to them, a new mode of production develops and is formed naturally out of the old” […]. “Capitalist joint-stock companies as much as cooperative factories should be viewed as transition forms from the capitalist mode of production to the associated one, simply that in one case the opposition is abolished in a negative way, and in the other in a positive way” [9].

One of the reasons why Marx forcefully endorsed the introduction of cooperatives and the abolition of hired labour even in a system remaining purely mercantile in nature is that (from the perspective of a critic of capitalism) producer cooperatives realise such a basic component of political democracy as economic democracy. Indeed, Marx, Marxists and other critics of the existing social order concordantly rate political democracy as merely formal when power remains firmly in the hands of capitalists, i.e., in other words, when capital is still the economic power holding everything in its sway.

An additional excerpt from Capital relevant in this connection runs as follows:

“Capitalist production has itself brought it about that the work of supervision is readily available, quite independent of the ownership of capital. It
On Marxism and Producer Cooperatives

has therefore become superfluous for this work of supervision to be performed by the capitalist. A musical conductor need in no way be the owner of the instruments in his orchestra, nor does it form part of his function as a conductor that he should have any part in paying the ‘wages’ of other musicians. Cooperative factories provide the proof that the capitalist has become just as superfluous as a functionary in production as he himself, from his superior vantage-point, finds the large landlord”[10].

Here Marx was clearly thinking of a form of market economy in which capitalists would be stripped of all power.

**IS THE WAY TO A SYSTEM OF PRODUCER COOPERATIVES A REVOLUTION?**

A great many market socialism models have been theorised over the past years (see, *inter alia* [11], [12], [13], [14], [15] and [16] and even more can be assumed to be devised in future. Among them, the system with firms run by workers themselves is both the simplest to prefigure and the most widely discussed. The question is: is such a system a new production mode?

Some authors think 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 firms not run by capitalists makes up a socialist order is to mistake legal relations for production relations, because a system where firms are run by groups of workers maximising profits by manufacturing goods and placing them on the market is a very near proxy for capitalist production relations (see, *inter alia*, [17]).

Sweezy’s argument resonates in those of Althusser and Mészáros. Specifically, the former maintained that producer cooperatives are part of the capitalist production mode and may prefigure a socialist production mode only in the minds of utopians or opportunists, while the latter 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”[18].

Both these comments miss the point. 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 [19]. And as capital entails of necessity the existence of the capitalist, the abolition of hired labour will result in the abolition of capitalism as a matter of course.

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 [20] and [21]. In modern producer cooperative theory (which defines capital consistently with our approach, i.e. as the bulk of production means), it is the so-called LMF cooperatives 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, which segregate labour incomes from capital incomes, 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 run 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 Marx’s approach, the reversal of the capitalistic capital-labour relation entails changing actual production relations, instead of legal forms only. The moment we accept Marx’s claim that the principal contradiction in capitalism is the capital-labour opposition, it quite naturally follows that the reversal of the respective roles of capital and labour triggers a radical change in the existing production mode which amounts to a revolution [22] and [23].

A well-known saying by Marx runs that those controlling production are also in control of men’s lives in consequence of the ownership of the tools allowing them to pursue whatsoever aims they may have in mind [24] and [25]; 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.
On Marxism and Producer Cooperatives

The potential of a system of producer cooperatives to spark 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 our 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 overthrown.

A SYSTEM OF COOPERATIVE FIRMS AS A PEACEFUL TRANSITION TO SOCIALISM

On several occasions, Marx and Engels made it clear that the revolution they had in mind could come about by democratic means and be enforced by a parliament. In The Principles of Communism, Engels emphasised that, once in power, the working class would enforce a democratic constitution, for “democracy would be quite useless to the proletariat if it were not immediately used as a means of carrying through further measures” [26]. And many years later Engels wrote also [27]:

“One can conceive that the old society may develop peacefully into the new one in countries where the representatives of the people concentrate all power in their hands, where, if one has the support of the majority of the people, one can do as one sees fit in a constitutional way: in democratic republics such as France and the U.S.A., in monarchies such as Britain.”

Moreover, in Engels’s Introduction to The Class Struggles in France we read: “The irony of world history turns everything upside down. We, the ‘revolutionaries’, the ‘over throwers’, are thriving far better on legal methods than on illegal methods and overthrow” [28].

In a number of works published in the last years of his life, Engels concerned himself with specific events in the economic and political lives of individual nations and expatiated on changes in political climate recorded over the years. As is known, the collapse of Bismarck’s regime marked the eclipse of policies aimed at the outright suppression of socialist parties. Reviewing similar trends in other European nations, Engels remarked that on realising the changing scene, the socialist parties of the day found that legal methods served the interests of the working class much more effectively than the violent methods associated with insurrections could have done: “The attempt must be made to get along with the legal methods of struggle for the time being. Not only we are doing this, it is being done by all workers’ parties in all countries where the workers have a certain measure of legal freedom of action, and this for the simple reason that it is the most productive method for them” [29].

In a polemical 1890-91 paper written in stark opposition to L. Brentano, Engels argued that the power of factory legislation and trade unions to improve the conditions of the working class (which was Brentano’s contention) had been underscored by Marx and himself in a wealth of writings ranging from The Condition of the Working Class in England and The Misery of Philosophy, through Capital down to later ones. However, he also added that this statement was to be taken with caution, since the positive effects of trade union action were confined to periods of thriving business and were bound to become erratic in times of stagnation and crisis. Moreover, he argued, neither labour legislation nor the opposition of trade unions could do away with the main obstacle to the freedom of workers: capitalistic relations [30].

The most pregnant analysis of this subject is found in the Introduction to The Class Struggles in France written by Engels in 1895. The teachings of earlier revolutions, especially those in France in 1789 and 1830, he admitted, had exerted a strong influence on both of them, but later developments – he added – proved those approaches wrong and, moreover, the conditions under which the proletariat was expected to carry on its struggle had meanwhile undergone radical change. Each of those earlier revolutions had resulted in replacing one ruling class with another, but the ruling groups coming to power were all found to be small minorities compared to the mass of those ruled. Moreover, upon seizing power, each such minority group remodelled the state apparatus in accordance with its own needs and the majority of the governed did nothing but support that minority or, at any rate, show themselves acquiescent. In Engels’s words, “if we disregard the concrete content in each case, the common form of all these revolutions was that they were minority revolutions” [31], and after each such minority revolution – he continued – the feelings of the masses always, and often presently so, changed from enthusiasm to utter disappointment and even despair.
On Marxism and Producer Cooperatives

From these reflections Engels drew the conviction that the times were not ripe for a socialist revolution; in fact, as a result of post-1844 developments and the introduction of universal suffrage in Germany in 1866, he had come to believe that a revolution was to be enacted by parliamentary means, through a real and proper majority resolution. From Engels’s perspective, therefore, universal suffrage had laid the foundations for a new method of proletarian struggle, and from then on “the bourgeoisie and the government came to be much more afraid of the legal than of the illegal action of the workers’ party, of the results of elections than of those of rebellion” [32].

However, Engels’s confidence in a final victory was far from eroded by the prospect of a parliamentary road to socialism. The electoral successes of the proletariat and its new allies, he argued, were steady and irresistible and, though tranquil, as unavoidable as a natural process. For workers to win out in the end, they must “simply refuse to let themselves be lured into street fighting” [33].

Marx, too, often declared himself in favour of a peaceful transition to communism. With reference to his description of universal suffrage as one of the primary goals that the proletariat was to pursue, a commentator has argued that he equated the takeover of the proletariat with a successful battle for democracy even in such an early work as the Manifesto of the Communist Party [34]; and in Capital, Marx attached major importance to factory legislation and, generally, the role of assemblies returned in elections by universal suffrage, besides dwelling extensively (in hundreds of pages) on the fact that in parliaments the interests of the working class had often taken precedence over those of employers [35].

THE MOST GLARING CONTRADICTION OF CAPITALISM

Besides discussing the active function of thought as the faculty allowing man not only to contemplate nature and society, but to act upon them and work towards change, in Theses on Feuerbach Marx made it clear that the precondition for changing and advancing society was solving its inherent contradictions. This may explain why we deem it important to identify the most glaring contradiction of capitalism from a Marxist perspective.

The first idea to cross the minds of Marxists and non-Marxists alike is the capital-labor polarity. Quoting Godelier, for instance, “the first contradiction we come up against in capitalism is the conflict between capital and labour, between capitalists as a class and workers as a class. The former own capital; the latter are bereft of it. The profits of the former amount to the value of the work for which the latter have not been remunerated” [36].

As Gramsci puts it [37], “the control issue boils down to the question of industrial power, the question of deciding whether industrial production plans are to be framed in the interests of bankers and stockjobbers or, in contrast, in the interests of the masses; by the trustees of capitalists or those of the working class.” The workers’ state (i.e. a state where workers are in control of both businesses and government) is specific to the transitional stage from capitalism to communism, he added, and “the workers’ state is not an arbitrary choice, nor is it a vain hope. It is a historical necessity which grows out of the very circumstances created by class conflict. When, in response to the errors or ineptitude of the bourgeoisie, individual categories of working people gain a sense of their joint interests, then communists claim that the social assumptions for the rise of a workers’ state are given” [38].

The idea that class struggle is the key problem of capitalistic economies is doubtless one of Marx’s major contributions to the understanding of the social order in which we live. And as this idea was first stated in early writings not yet supported by a sound grounding in political economy, there are reasons for assuming that Marx did not take it over from any of the writers on whom he drew for his later studies. It features in such an early work as the Critique of Hegel’s Philosophy of Right, which Marx wrote in the autumn of 1843 and issued in the early months of 1844, and it continued to occupy center stage in his later theoretical approach.

Accordingly, there are reasons for arguing that the true precondition for superseding capitalism is solving the dialectical contradiction arising from the conflict between a class which wields all power and a class expected to obey passively, not the planning-markets opposition. To look upon the plan-market option as the key problem – Bettelheim wrote – is a severe mistake which diverts attention towards side issues and, hence, away from the real crux of the issue: the existence of a class – the “bourgeoisie” – whose primary aim is to prevent workers from attaining power. This is why an
occasional acceleration or stalemate in market relations at one stage or other is, in itself, not enough to make us assume that the world is progressing towards socialism or moving away from it [39]; and, among others, [40] and [41].

In contrast, Engels and orthodox Marxists did not think of the capital-labor opposition as the basic contradiction in capitalism. In orthodox Marxist terms, the basic contradiction originates from a mismatch between the socialized character of production in large-size industrial concerns (where hundreds and even thousands of workers see to their jobs side-by-side) and the private character of appropriation (the very underpinning of privately-owned production means) (see, for example, [42] and [43]). And according to Engels (and other Marxists), this contradiction sparks off an additional one: “the contradiction between socialized production and capitalistic appropriation now presents itself as an antagonism between the organization of production in the individual workshop and the anarchy of production in the society as a whole”[44]. Time and again Engels argued that these contradictions were actually nothing but different ways of describing one and the same state of affairs. In Anti-Dühring, he wrote [45]: “The contradiction between socialised production and capitalistic appropriation now presents itself as an antagonism between the proletariat and the bourgeoisie.” Commenting on this passage, Sève [45] quite appropriately objected that each of these contradictions obeys a different logic and that, consequently, Engels could not be assumed to have described them as identical in purely abstract terms.

But why is it important to distinguish between these two main contradictions of capitalism? Lack of agreement on the basic contradiction of capitalism has a major bearing on the possibility to predict the kind of social order that will rise from the ruins of capitalism. Those looking on the capital-labor polarity as the main contradiction will argue that socialism – the social order of the transitional stage between capitalism and communism – arises when the capital-labor relation is reversed as a result of the replacement of a system controlled by capital owners with a system of worker-run firms. Conversely, those who think that the key contradiction of capitalism is the contrast between socialized production and private appropriation will contend that the social order to rise from the ashes of capitalism is a centrally planned system.

**AGAIN ON DEMOCRATIC FIRM MANAGEMENT AND THE TRANSITION TO SOCIALISM**

The claim that an escalating capital-labour confrontation paves the way for reversing the capitalistic capital-labour relation can hardly be called into question. Bourgeois individualism necessarily breeds a tendency towards proletarian collectivism. The association emerges as a counterpart to the capitalism and the shopkeeper is matched by the cooperative - Gramsci wrote [46], and then posed the question of the causes that might explain the increasing tendency of workers to be joined into cooperatives.

As is well known, technological evolution is currently moving in the opposite direction to Fordism. As a result, at this stage the argument that the advent of economic democracy is being expedited 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? According to Laibman [47], 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, he argues, it follows that when this threshold is reached and people interiorise the idea that quality and productivity are inextricably interconnected, the highroad to socialism will be followed through as a matter of course.

This idea is widely shared. By general agreement (see, for instance, [48] and [49]), 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” [50]. Indeed, the greater a worker’s educational levels and qualifications, the less he will be prepared to work at the behest of another
On Marxism and Producer Cooperatives

and the more he will tend to acquire the abilities necessary to run a firm first-hand. According to Bowles and Gintis [51], higher-income workers find it more convenient to work for a firm which they run directly. Very often, 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.

Moreover, the abolition of hired labour in a labour-managed system gives rise to a more democratic system in which workers are no longer alienated because they cease being under coercion from employers; and according to Hayek 1950 [52] coercion is a social evil which turns a useful thinking individual into a tool for the achievement of another’s ends. Accordingly, anyone thinking, like Marx, that mankind will turn a useful thinking individual

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: see, f. e., [54].

REFERENCES


On Marxism and Producer Cooperatives


Copyright: © 2019 Bruno Jossa. This is an open-access article distributed under the terms of the Creative Commons Attribution License, which permits unrestricted use, distribution, and reproduction in any medium, provided the original author and source are credited.