

# 20th and 21st Century Socialism

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The Owl of Minerva flies at dusk –  
wisdom comes at the end

Our book was written in the twilight of  
20th century socialism, during the crisis  
of Perestroika

It aimed to provide an alternative answer  
to the crisis then affecting the USSR, an  
answer that was different to that of the  
pro Market reformers

# Aims of socialism

- An end to exploitation
- An end to the division of society into rich and poor
- Work for all
- Equality of the sexes
- Economic progress
- High levels of education
- Good health

# What is exploitation

1. People being forced to work unpaid for others , or
2. People are paid, but paid less than the value they create

In most capitalist countries workers get back in wages only about 50% of the value they create.

# Strengths of 20<sup>th</sup> Century Socialism – Soviet Model

- Ended division of society into rich and poor
- Ended unemployment
- Economic progress for women
- Universal healthcare
- Free education open to all
- Rapid economic growth up until 1970, modest growth later

# Strengths of 20<sup>th</sup> Century Social Democratic Model – UK, Sweden

- Some reduction in inequalities in income
- Reduced unemployment
- Economic progress for women
- Universal healthcare
- Education opened to some working class people
- Modest economic growth

# Weakness of Soviet Model

- Private exploitation ended but not exploitation by the state
- Shortages of consumer goods
- Poor rate of technical progress after initial industrialisation
  - No rational system of costing in industry
  - Hoarding of labour by factory managers
- Very limited democratic control
- Led to counter revolution!

# Weakness of Social Democratic model

- Exploitation continued
- Massive unemployment returned from 1980s
- Wide differences in wealth between billionaires and ordinary workers
- Initial trend towards greater equality reversed
- Gradual erosion of free education and free healthcare
- Reversion to Neo-Liberalism!



# New Socialism

Combine the strengths of both types  
of 20<sup>th</sup> Century socialism

Add 21<sup>st</sup> Century innovations due to  
new technology

# What to keep from 20<sup>th</sup> Century

- From Soviet Model
  - Public ownership of land and industry
  - Planning
  - State control of foreign trade
  - Full employment
- From Swedish Model
  - Markets for consumer goods
  - Political freedom of association
- From Both
  - Free education and healthcare

# What to add

- Value economy
  - based on time
  - not based on money
- Real Direct Democracy
  - not Soviet Democracy
  - not Parliamentary Democracy
- Cybernetic Planning
  - Use internet not bureaucracy
  - Real-time feedback from consumers

# Value economy -labour is key

- ``every thing in the world is purchased by labour" *David Hume*
- ``The annual labour of every nation is the fund which originally supplies it with all the necessaries and conveniences of life which it annually consumes, and which consist always either in the immediate produce of that labour, or in what is purchased with that produce from other nations." *Adam Smith*

# Labour theory of value

- The classical political economists, Hume, Smith, Ricardo, Marx held that the price of commodities is regulated by labour.
- Ricardo said that changes in prices were 95% due to changes in labour inputs.
- Since the 1980s econometric studies by Marxian economists have verified that the labour theory of value is true.

# Proof of labour theory of value

	Year	Correlation price to labour value %
Japan	1995	98.6
Sweden	2000	96
USA	1987	97.1
Greece	1970	94.2
UK	1984	95.5
Germany	1995	96.5
France	1995	97.5

Figures from David Zachariah, 2006

# Value and exploitation

- Capitalism sells goods at prices very close to labour values, but buys labour from the workers at only *half* its value.
- Since prices are measured in money not in hours this cheating is invisible to workers.
- This cheating is the main reason why some are rich and others poor.

# New Socialism proposes Payment in labour

- Workers paid in labour tokens, 1 per hour. Goods priced in labour tokens proportional to the labour required to make them.
- Industry publicly owned and planned in physical units.



# New Socialism proposes Payment in labour



# Benefits of labour money

- Abolishes exploitation
- Provides an objective basis for computing economic costs
- Makes democratic control over tax easier
- Encourages economic progress

# Abolishes Exploitation

- Workers paid, pre-tax, in labour tokens, 1 per hour.
- Goods marked in labour tokens proportional to the labour required to make them.
- Worker gets back from society exactly what they have put in to society.

# Objective costs

- In old USSR prices were not based on objective costs, but were fixed by administrative decisions.
- This led to irrational behaviour
- Bread was priced lower than corn, so farmers fed their pigs with bread.
- Labour prices are an objective measure of what it costs to produce things and prevent this nonsense

# Encourages democracy

- Suppose taxes are levied in hours as well,
  - call these hours your social duty
  - these go to support free services like education, health and to pay for defence
- Suppose voters can vote electronically on the number of hours each person must do as their social duty
- This prevents exploitation by the state as occurred in USSR

# Technical backwardness in USSR

- USSR lagged behind Sweden and Germany in industrial productivity
- Cause was the very low level of wages in the USSR which encourages managers to hoard and waste labour

# Value Economy Encourages Technical progress

- Low wages always encourage technical backwardness
- Since the capitalist only pays 50% for labour but 100% for machines, he will use backward labour intensive techniques wherever possible.
- If labour is paid at 100%, then labour saving machinery becomes more economic.

# Value based prices prevent shortages

- USSR and Poland subsidised food, transport etc, sold these at prices below their true values.
- This led to food shortages, queues and to wastage.
- If workers paid 100% for their labour, there would be no need for subsidies.



# Can it be done?

- Value based economics not possible without computers
- Millions of equations must be solved to calculate labour contents of all goods.
- Easily done on a computer.
- On a medium cost computer I was able to solve value equations that would be needed for a country of about 15 million people in about 2 minutes.

# Cybernetic control

- Soviet planning system was done using pencils and paper not real-time computers.
- There was poor feedback from sales of consumer goods into the plan
- Our book explains how to use computers to :
  - plan the economy in great detail
  - update plans rapidly in response to consumer tastes

# 20<sup>th</sup> Century Socialism Undemocratic

- In the 20<sup>th</sup> century socialist countries, power was in the hands of a governing elite – the Communist Party in the USSR, the Social Democratic Party in Sweden
- This indirect system of rule shut the people out of the political process.

# Definition of Democracy

A democracy exists wherever those who are free and poor, being in the majority, are in sovereign control of the government, an oligarchy when control lies with the rich and better born, these being few. (*Aristotle, Politics, IV iv*)

# Democratic institutions

- Ancient democracy had two key institutions
  - votes by all citizens on key issues
  - random selection of public officials
- Aristotle says that where public officials are elected you have an Aristocracy
- Where public officials are randomly selected by lot, you have a democracy

# Plebiscites

- These could now be done electronically using Cell Phones, on lots of key issues.
- This gives direct power to the citizens over key issues like
  - tax
  - levels of government expenditure
  - major new laws
  - war and peace

# Selection of officials by Lot

This protects against:

- Corruption
- Power being in the hands of an elite of politicians
- Makes citizens more interested in politics as they may have to serve in office

All this was well understood by the Ancient Greeks.