

## **SOCIETY HAS MOVED ON AND SO MUST OUR PROGRAMME.**

*In this critique, all my comments are in red. This critique of the Socialist Party's programme for socialism should not be compared to Marx's Critique of the Gotha Programme. Marx had criticised and polemicized against Proudhon for decades. My criticism of the Socialist Party is new and its tone reflects this. If anything, their programme owes a lot of fidelity to previous writings from Marx to Lenin to Trotsky. The problem is that today's capitalism is culturally, technically and politically distinct from the capitalist societies that populated the world 100 years ago. Programmes are like road maps. If in the space of a hundred years rural areas have been built upon, and new roads constructed to replace older byways, then a map drawn up a hundred years ago is bound to lead one astray. And so it is today. Our socialist programme must deal with the world as it is, especially following the collapse of the USSR, if it is to convince society there is a living alternative to contemporary capitalism.*

This critique should be read in conjunction with three documents found on this website. The first is the pamphlet titled *Planning The Future*. (<http://theplanningmotive.com/2017/04/17/planning-the-future-3rd-edition/>) This analyses what went wrong in the USSR and elaborates on Marx's Critique of the Gotha Programme. The second document is the programme itself, titled Draft 21<sup>st</sup> Century Socialist Programme (<http://theplanningmotive.com/2016/09/05/draft-21st-century-programme/>). Finally, how to treat the Labour Party's new Manifesto as a transitional programme can be found on <http://theplanningmotive.com/2017/06/26/the-flaw-in-the-...-party-manifesto/>

My criticisms and additions are inserted in the body of the programme which was originally written in 2004 but which is hosted as current on the Socialist Party's website.

### **In Place Of Capitalism:**

## **How a socialist economy would work**

**COMMENTING ON last November's ESF in Paris, the Guardian columnist George Monbiot acknowledged that the official anti-capitalist movement has "scarcely attempted to tackle the big issue: what should be done about capitalism? With what do we hope to replace it?"**

**JARED WOOD outlines how a socialist economy would work.**

THE FALL of the Berlin Wall and the subsequent collapse of the so-called communist bloc were greeted triumphantly by capitalist political and business leaders and academics. Most famously one US academic, Frances Fukayama, declared it was 'The end of history'.

Along with many others, Fukayama believed the search for the most efficient way of organising society had been settled for good. The liberal free market had proved its superiority over socialist planning. Never again would the rule of capital be challenged.

But the growth of the anti-globalisation movement has done just that. As we enter the 21st century half the world's population live on less than US\$2 a day. Multinational companies dictate government policies and dominate local markets. Not since the 1970s, perhaps, have so many workers, students and young people, across the world, sought an alternative to capitalism. The question is what alternative?

## Planned economy

KARL MARX proposed the alternative of a planned economy. Major industries and financial services would be publicly owned and controlled by democratic structures representing workers in those industries, local and regional communities and the elected government.

The goal is that all industries would be owned by the working class in general because the object is to abolish private ownership of the means of production. Once we all own these means of production, then no one owns them and they cease to be property, and with their cessation as property the core purpose of the state, which is the protection of property, is now spent.

Clearly the issue of co-ops falls by the way. If the working class owns the means of production, distribution, information and the land, then we all own it. If workers are in independent co-ops, do they own the assets of their co-op in addition to the generalised means, which would be unfair to the rest of society who only own the generalised means. If they do not share in the generalised ownership, but only own the assets of their co-op, then an exchange relation would exist between themselves and the rest of society which is a nonsense.

The control of production is distinct from ownership. This distinction comes to an end when property in the means of production fades into history, while control endures ad infinitum. This understanding informs our approach to independent proprietors as long as they exist. They will be protected as producers enjoying the same ownership rights as the rest of the working class, and they will have control over their workplace in common with workers elsewhere. However, their labour would still become part of the labour of society immediately and directly. In other words, their labour won't have to be converted into money first. See next.

Financial Services. A socialist society even in its early years will reduce money from functioning as capital to acting as a colourful receipt or voucher for the expenditure of labour. It will exist as a multi-use labour voucher until such time as we have set up data bases which will capture each workers contribution to production and their withdrawals from society. At that point money will disappear. Already capitalism has made great advances in this direction especially in China. In short, financial services or intermediation will not exist.

What there won't be is banks. Essentially banks play two roles. Pooling the surplus of society which takes the form of a capitalist hoard and secondly acting as a depositor and cashier for the streams of revenue emanating from the economy such as wages. In a socialist society, there is no longer a surplus. Instead the producers agree democratically how much is to be deducted from the social product to pay for those who cannot work such as the young, the old, the infirm, those undergoing education, and those needed to work outside production such as planners and administrators. In addition, part of the product will be set aside for insurance, primarily global warming, and new investment to uplift society and transform it. These deductions will not be administered by a bank because they will not be lent out, which is the definition of a bank. It will require brand new structures that are transparent and function only to allocate these resources in the proportions and directions previously agreed by society.

Marx said that only public ownership could facilitate the democratic control of production because firms operating in a capitalist market are constrained by the laws of that system. At its most basic this means that in order to attract investment (capital) a firm must maximise its profit. If investors believe they can make a better return elsewhere they will withhold funds and the firm goes bust or gets taken over. **Correct. The capitalists personify the needs of capital executed through competition.**

Marx also observed that as powerful companies grow they are able to cut their costs by producing on a bigger scale and using their revenues to invest in new technology. This gives the biggest firms a competitive advantage and allows them to become monopoly

producers. Having driven their competitors out of business these giants are able to fix prices and wages for entire industries. **Not absolutely true. Capitalism throws up centrifugal forces that mitigate and even reverse centralisation. For example the FAANG group of corporations that dominate the share market today did not exist twenty years ago.**

Marx believed that taxing or regulating these industries would ultimately fail. Private firms will use their resources to find legal loopholes in tax and regulatory regimes. In the event that this proves too difficult investors will withdraw from an industry and look elsewhere. This is the process that has come to be known as 'capital flight'. **Correct**

Once investors perceive an industry or even a country's entire economy to be unprofitable they withdraw their funds leading to a collapse in the local currency and crippling recession. This has been the experience of many less developed countries in recent years that have been told by the IMF to cut taxes and privatise public services in order to attract capital investment.

**Hence the need for an international revolution. Later your programme calls for the nationalisation of the top 150 British companies. But the majority are legal artefacts designed to obtain a listing on the London Stock Exchange. Besides their head offices, most of their assets are abroad. In short, we would be nationalising shells. (True in 2004 this was not so developed) Secondly, forty percent of wealth in this country is off-shore. Thirdly, what about the City of London. Over one third of the world's finances flows through this sewerage works amounting to \$1.5 trillion today. It is inexcusable to develop a programme in Britain that omits the City of London. Socialist Appeal makes a similar error.**

The fact is that in a market economy a handful of hyper-rich people will always decide what is produced, where and in what quantities, irrespective of the greater needs of society.

Marx's idea for a planned, socialist economy was the answer to these problems. If the major industries and banks are publicly owned then we can, as a society, democratically plan how to use our resources.

To put this into some sort of perspective consider this. Around 150 companies control about 75% of all commercial activity in Britain. These firms are controlled by boards of perhaps a dozen or two dozen directors. A handful of people make the decisions that determine the wages we will be paid, the prices we will be charged and whether we have jobs or not.

Public ownership and democratic **planning** would allow everyone to have some input into these decisions. Rather than considering profit margins and market share, a system of democratic planning would consider how to use resources most efficiently in order to satisfy people's wants and needs.

**Not enough attention is given to planning in its modern setting. What workers contribute to production is concrete labour, what they withdraw is social labour. By concrete labour we mean labour of a specific kind such as the labour of the electrician, the bus driver or the baker. By social labour we mean the consumption of the labour of tens of thousands of other workers. A smartphone comprises a battery, a case, a screen, microprocessors, a microphone and speaker, various sensors etc. The components are produced around the world, designed in many countries, and the materials come from every continent on earth. They are the product of tens of thousands of connected workers. Hence the designation - social labour - describes the nature of consumption. Accordingly, the form of planning we are describing can only be done from the side of consumption not production. It is called consumer led planning and it is inherently democratic because each producer decides what they are going to consume which is aggregated by the planning bodies as functionaries. (Later workers control is discussed which should not be confused with planning.) It is inherently democratic because it is based on individual consumer preferences which cannot be interfered with.**

## **Maximise production not profit**

CAPITALIST ECONOMIC theory is based on the model of a 'perfect market'. This perfect market allows anyone to produce anything, it allows anyone to buy from any producer and everyone has an identical supply of knowledge. Firms maximise their profits by producing and selling as much as possible.

The model though is a fairy tale. Back on earth most production is carried out by monopoly or oligopoly firms (an oligopoly being where a few large firms share out a monopoly market). In order to maximise their profits monopoly producers often restrict production in order to push the price up.

This can be possible because only so many people can afford to buy a commodity at any given price. In order to increase sales a firm is likely to have to charge less. If the required price cut outstrips the extra sales then profitability will fall even though the firm is making and selling more. If this is what a firm expects it will hold off investment in new technology, plant and machinery - and workers.

Planning would also eliminate an enormous amount of waste in the form of useless production. Well over half the price paid for many branded goods (clothes, toiletries etc) can go to pay for the product's advertising budget. Retailing goods can also be ridiculously expensive. Clothing is typically marked up by several hundred percent of the manufactured cost. And having paid inflated prices products are made to fall apart after an artificially short life so that we have to buy a replacement. **Here error is piled on error. The value of a commodity is expressed in its final selling price. The mark ups represent the hidden discounts given by the producers to the merchants to sell their products. One of the errors of those who followed Proudhon was to believe prices would fall after the revolution because the profit margin would be scrapped. The capitalist definition of selling price is cost price plus profit margin whereas the Marxist definition is paid and unpaid labour. Prices in general will not fall, instead "wages" would rise because workers are now paid for all their labour. See later the importance of falling prices.**

A planned economy would not allow individual firms to restrict production or build in obsolescence to products in the way monopolies do now. Factual information about products could be provided but resources wasted on brand based advertising, trying to sell an aspiration or image, could be used more productively. By utilising spare capacity and increasing investment in new production economic growth would soar as a result of planning.

## **Democratic planning**

IN ORDER to democratically plan production workers must first control their places of work. Large scale workplaces would be run by elected committees of representatives of the workers, the socialist government and the trade union movement. **Control of production should not be confused with planning.**

These committees would take decisions about the day-to-day running of the workplace. A system of local, regional and national government would represent communities and also have delegates from workplaces. This is where broad priorities for the economy would be decided, including allocation of scarce resources between different sectors and deciding how to distribute resources for investment and wages. **This is the wrong way round. Consumer led planning based on consumer preferences forms the basis of planning. The planning bodies, which are not state bodies because they outlive the state itself, are organised to efficiently allocate the labour of society to fulfil consumer preferences. Your approach is statist therefore fraught. Democracy is based on rights. Consumer preferences is an inviolable right.**

Turning back to control of production, we are talking of associated producers which renders the size of the workplace irrelevant. Workplace size should be primarily determined by the technique of production and location. Producers can only associate on the basis of a uniform intensity of labour. If large workplaces had a lower intensity than say smaller workplaces this would immediately create inequality which would undermine the free association of workers. In other words, the primary purpose of workers' control is to set a uniform standard for the intensity of labour throughout production. Indeed, without a standardised intensity, conscious planning is impossible.

When intensity is standardised two results follow. Firstly, uniform labour creates the basis for costing production and therefore conscious planning. Secondly, the planning bodies can, for the first time, allocate the labour of society to meet the plan decided by the consumers, because labour can be compared to labour. What a worker withdraws from production is now commensurate with what they contribute.

Thus, democratic planning differs from command planning in the USSR in the following decisive ways. Firstly, it is consumers that are the active agent while the planners are the passive implementers. Secondly, it is workers who decide on the intensity of labour not the planning bodies who now only work with the costings (production labour times) that results from this intensity. In short, what is produced and how quickly, no longer has anything to do with the planning bodies which is why they do not need to be state bodies.

Although business leaders (falsely) lambaste socialists for wanting to control every economic decision centrally, there is a large element of this already taking place within multi-national corporations. Of course not every decision is taken by big multi-national firms but the decisions that really matter are. **Correct**

According to the 18th century capitalist economic philosopher, Adam Smith, 'the invisible hand of the market' would organise production and exchange. In the long run, in a capitalist economy, market conditions will determine aggregate levels of investment, prices and employment.

But the day to day decisions are organised, planned even, by teams of economists and accountants who try to anticipate the market. They move production around the world in search of cheap labour; they hide profits until they turn up in an offshore tax haven; they estimate future demand and hire or fire accordingly.

These are the decisions that must be taken democratically in a planned economy. They are a relatively small number of decisions but have a massive impact on society.

Alternatively there are millions of small decisions to be made that have only a local or even individual impact. Whether to eat fish and chips for tea or how to run the chip shop are decisions that can continue to be made by individuals or small firms in the planned economy.

It is dangerous to divide planning on the basis of durable or non-durable goods, big decisions or small decisions. If consumers are only allowed to decide on the small items but not the big items, then who decides for them. This is elitism which always ends badly. Every worker as consumer decides, without any interference, what they are going to spend their "income" on after democratically agreed deductions. As for the deductions, that must be agreed collectively. It will be the focus of intense debate where the democratic process becomes more important than the end-result itself. Indeed, and this cannot be emphasised enough, the test of working class democracy is the collective engagement in the discussion and agreement as to the size of this deduction and its disposition. This is the commanding economic heights of a socialist economy which is why it should not be confused with workers' control of production which operates at a different level. If workers fail to decide or regulate these deductions they will turn into a surplus once more and a new bureaucracy will emerge rendering workers control of production irrelevant.

The crucial difference is that firms will be operating to new rules. Wage rates, working conditions and prices will no longer be set by multi-national firms but by democratic government. **Prices are not set by governments but by actual costs of production. In the USSR prices were unconnected to actual costs of production and were instead set by the government which is one of the key reasons the economy collapsed.**

Where the economy is unable to produce sufficient commodities to meet demand then a price mechanism and market would continue to operate. But with the profit motive removed many goods including basic foods, housing, fuel etc could be provided for free.

**Labour time is not free. Workers expend their labour and are rewarded by their product. This product, the crystallisation of their labour time, reduces in price as productivity rises. Workers are rewarded for their productivity and efficiency by falling prices. Receiving in proportion to contribution may be the individual right, but falling prices is the collective reward for communal production. Together they replace the profit motive in the earlier capitalist economy as the driving force in a socialist society. While the Bolsheviks understood the importance of accurate pricing, they never understood the importance of falling prices as the reward for collective effort.**

Lenin (in State and Revolution) and Trotsky (in The Revolution Betrayed) both explain how an administrative apparatus, a state, will be necessary during the transition from capitalism to communism. But as the planned economy develops it will be able to meet more and more of people's wants until there is no need to ration and limit distribution and the state can wither away.

**Rationing may exist in the reconstructive and disruptive phase following a successful insurrection. It is difficult to see into the mists of time.**

They were writing in the early 20th century and today the distribution of such goods could be achieved far more efficiently than they can be retailed in shops, especially given recent developments in IT. What could be simpler than ordering free, publicly provided goods on the internet? Inventories, demand and future production needs could be monitored continuously and fed into the planning process.

**Good point. The internet, television, data mining, deep learning all make planning technically easier.**

## **Socialism and democracy**

LEON TROTSKY, alongside Lenin the co-leader of the Russian revolution, wrote that socialism needs democracy as a body needs oxygen. Tragically, in the conditions of extreme economic disintegration that existed after the wars of intervention against the revolution by the capitalist West, Trotsky and his followers were defeated by the forces of Stalinism in the isolated Soviet state.

Stalin represented a totalitarian wing of the administrative apparatus that opposed any form of workers' democracy and ruled instead in their own interests. With that defeat went the chances of establishing a genuine socialist democracy to control the USSR's planned economy. A new revolution to overthrow the Stalinist dictatorship would be necessary.

In the absence of any effective democratic checks the soviet economy was held back by inefficiencies and lack of co-ordination. Nevertheless the Soviet Union was still able to make progress, especially in the development of heavy industry and infrastructure.

State planning, even under bureaucratic direction, proved effective in managing huge national projects where one uniform product was required everywhere. Infrastructure projects such as electrification and public transport were developed at a speed unimaginable in the capitalist countries while resources were also found for the provision of healthcare and education, at least in the major cities.

But as Trotsky himself predicted in his book, *The Revolution Betrayed*, the inability of the soviet economy to react to what people wanted in the form of consumer goods eroded support for the system of planning.

Also, as the economy grew the bureaucratic decision-making process came into sharper conflict with the needs of a modern society. The criticism made of soviet planners making economic decisions for everyone from an office had more than a little truth to it.

The nature of bureaucratic planning also failed to take account of the quality of goods produced. Central planners set quantitative production targets but in order to meet them many factories produced sub-standard goods. With no democratic input the economy simply failed to provide the type and quality of commodities needed.

**It was piece rate planning imposed on society which is why it was so heavily centralised.**

### **Supply and demand?**

ACCORDING TO what is known as 'marginal utility theory', which has been incorporated into orthodox economic theory, the value of a commodity is determined by the price a consumer is prepared to pay for one more unit of that commodity.

This breaks with the classical economic ideas of David Ricardo and Adam Smith who said that the value of a commodity is created by the labour of those who produce it. This 'Labour theory of value' is also central to Marx's work in *Capital*.

Does it matter who is right? Yes. If it is true that value is determined by the available supply of commodities and the corresponding demand for them then it is impossible to produce efficiently without a free market.

How else could we know what to charge for something? How could planners know whether a pair of shoes is overpriced at £40 or under-priced? Will the state-owned shops be left with unsold goods or facing shortages and queues of frustrated shoppers? Will the price charged be sufficient to cover production costs?

Marxism maintains that the intrinsic value of any commodity is given by the amount of necessary labour time employed in its production. Of course, in a capitalist market place commodities can be traded, according to circumstances, at a price that is above or below their labour value but they will tend to oscillate around this level.

It stands to reason that if a commodity is sold at a price significantly below its value for a prolonged time the producer will go bust as he/she will not be able to meet the costs of paying wages to obtain the labour necessary for production.

According to the labour theory of value then we can calculate a value, or price, to commodities according to the costs of production. This can be measured just as capitalist firms already do. Planning decisions can then be made democratically in the light of accurate information about the costs of producing different commodities.

**Here we have to be careful. Prices under capitalism deviate from value or what is the same thing their weighted average labour times. They do so in an organised manner so that prices redistribute profits to the capitalist class in proportion to their contribution of capital. (In this sense capitalist production can be described as: to each capitalist a profit in proportion to their contribution of capital. This reconciles the capitalist class until an international recession causes it to break down elevating competition into military competition.) Marx developed the laws which leads to the equalisation of the rate of profit. These prices are of course useless to workers which means that in the early stages of socialism the price system will have to be transformed, so that indirect prices are converted into direct prices which accurately represent actual costs of production or what is the same thing, weighted average labour times. In the USSR prices were fictitious designed to underpay workers and balance the state budget breaking the connection between effort and reward which is why workers pretended to work and the state**

pretended to pay them. Trotsky makes much of this in *The Revolution Betrayed*. However he was ignorant of the role of falling prices instead supporting piece rate incentives which led to sectionalism amongst workers who sought to up their production without regard to quality and waste.

Here it is important to note that increases in productivity in a socialist society do not lead to "wage" rises but price falls. If prices fell in line with labour times while wages went up to reward individual productivity improvements, then an incongruity would arise. Total "wages" would now exceed total prices resulting in excess demand, a market, price distortion and the end of conscious planning.

Do prices come to an end at the higher stage of socialism. Possibly, if the labour expended administrating these prices exceeds the labour used to produce these products. However, this speculation about free products is best avoided at this time.

### **Nationalised industries**

IN 1979 many of Britain's biggest industries, especially power and infrastructure, were publicly owned 'nationalised industries'. The Thatcherite Tory government set about privatising them, arguing that nationalisation caused inefficiency because no-one had a personal interest in the profitability of the firm.

British Gas and British Telecom were two of the first high-profile privatisations, culminating with British Rail. Blair's New Labour government has continued the trend, privatising schools, hospitals and the infrastructure of London Underground.

The first and most obvious point to make is that privatisation has caused some spectacular failures, nowhere more tragically than on the mainline railways. This in spite of government subsidies to the private rail industry, which are up to ten times higher than those given to the old, nationalised British Rail.

But neither BR nor any of the old nationalised industries in Britain were a model for a planned economy. Many, like British Leyland, did perform badly (though they've hardly triumphed in the private sector either). Principally the problem lay in the structure of these nationalised firms as government-owned capitalist businesses.

Decisions on production, wages and employment were made by a board of directors in order to compete with a much larger private sector in domestic and world markets. The demand was often raised in the pages of *Militant* (now the socialist newspaper) for the nationalised industries to be run by elected boards made up equally of delegates from the firm's workforce, the trade union movement as a whole, and the government. This would have allowed real workers' control over publicly owned industry. **Important transitional demand.**

Even then, nationalised firms and other forms of non-profit making enterprises such as co-operatives, will never be able to flourish if forced to play by the rules of a capitalist market. Failure to maximise profit for the individual firm will mean losing market share and investment funds.

Only democratic planning and public ownership allows decisions to be made on a co-ordinated basis in order to maximise production of what is needed for all. Frederick Engels wrote in *Socialism: Utopian and Scientific*, that the great accomplishment of capitalism was to take production out of the home workshop and socialise it in the more productive form of mechanised, specialist production.

The task of socialism, he wrote, is to socialise distribution. That is to take the decisions about how to distribute production and profits out of the hands of private firms. It is in this historic step forward that a democratic, socialist, planned economy can begin to free humankind from poverty and provide the opportunity for billions of people to develop their talents and abilities beyond the ability to toil and survive.

Socialisation of distribution is consumer led planning. Engels was correct. Production which begins as private production for private consumption, which develops into production for episodic exchanges at the overlapping margins of communities, which further develops into generalised exchange whose highest expression is capitalist commodity production is the movement from private production to increasingly socialised production and socialised consumption though trapped within the confines of private property and strangled by it. Socialism completes the process by not only socialising production and consumption but uniting them into an indissoluble whole.

The 21st Century Draft Programme is not a transitional programme. It is the Constitution of a Socialist Society, a charter of workers' rights. As such it is a bridge from the past to the future, intended to inspire the present. The art of building a transitional programme is to link the present struggles of the working class to its future goals. Here the Manifesto of the Labour Party is important. Granted it is full of holes, even contradictory, but if workers are willing to fight for its demands, not solely through the ballot box, but through direct action, anything and everything is possible.

It is important not to dwell on the failings of the Manifesto of which there are many. The argument to win is to convince the working class to become a class for itself. That means sweeping aside whether or not the manifesto is affordable or not. Just as the capitalists do not ask us if their salaries, bonuses, share buy-backs and dividends is affordable, so we do not ask whether they can afford decent housing, a decent health service, a £10 living wage because we cannot afford to be without. And if the capitalists won't provide, then we will argue for a society that can, a socialist society based on the expropriation of the capitalist class.

A final note. Standing on the summit of the present allows us to examine the historical valley in greater detail. However, if the past dominates the present, then the summit will be fogged in. We need to be critically aware of the past not overwhelmed by it. Simply superimposing theories and programmes on the present will not do. The fact is that Marx and Engels spoke little about the future leaving that to the utopians and dreamers. Nor is there much to be found in the writings of the Bolsheviks after the revolution, preoccupied as they were simply keeping the isolated revolution alive. However, in the light of the collapse of the USSR we can no longer remain silent. The 21<sup>st</sup> Century Draft Programme has three sources. It develops the Critique of the Gotha Programme whose polemical style unfortunately created a self-limiting document. It draws the lessons from the failure of planning in the USSR. Finally, it takes into account the technical and cultural development of capitalist society and its growing contradictions relating to reproduction, environment, Artificial Intelligence and the convulsive change in hegemonic power to China.

In politics there can be no arrogance or elitism. No one knows best. The left is fragmented with each group saying they have the answers. In fact, most of the groups do not know best. We are all in the early stages of embarking on the formulation of a programme that is capable of taking the class forward.