

HOW THE SOCIAL OR COMMON FUND ALLOCATES INVESTMENT ACROSS PRODUCTION

Socialism for Realists was written in 2018 by Sam Gindin, who was the research director for the Canadian Autoworkers and is the co-author, with Leo Panitch, of *The Making of Global Capitalism: The Political Economy of American Empire and The Socialist Challenge: Syriza, Sanders, and Corbyn*. Here I compare his proposals to those found in my programme.

Gindin belongs to the school of Marxism intimidated by Hayek. Consequently he ends up proposing what has come to be known as *market-socialism*, that is using the market and its price mechanism to correct or refine planning decisions and outcomes. The irony of course is that Stalin made Hayek. Were it not for the overbearing Stalinist bureaucracy which suffocated the life out of collective property, no one would have even heard of nor remembered Hayek and his predecessor Von Mises. They would have been intellectual dust on the side of the highway of history. It was Stalin who gave Hayek his day in the sun.

It is important to bear in mind that what Hayek was criticising, was not communism, but its malformed child - piece rate planning Gosplan style - the crudest form of planning which was bound to fail. More interestingly than his criticism of planning, is what Von Mises had to say about the success of the capitalist market, which is very well summed up by Gindin.

*“Hayek argued that a good part of such knowledge is “tacit” or latent knowledge — informal knowledge about consumer preferences and production potentials that is often not explicitly appreciated even by the social agents directly involved. It only surfaces through **reactions** to particular institutional constraints, incentives, and opportunities such as, in Hayek’s telling, individual choices made via markets and pressures to maximize profits. This includes “discovered knowledge” — information only revealed **post hoc** through the process of competition among firms, e.g., which of a number of alternative goods, machines, services, or forms of work organization is superior. The power of capitalism, Hayek claimed, is that it brings such otherwise internalized, hidden knowledge to the surface while socialism, no matter how much it hopes to plan, cannot effectively access or develop the knowledge on which successful planning would rest.”* (my emphases)

For Hayek the market was a giant algorithm called “price discovery” in what resembled a computer (although the computer was yet to be invented). This computer is brain-like in so far as it is plastic. It creates more connections in the direction to which capital flows, the better to monitor production which is increasing, and it reduces the connections from whence it flowed where production is diminishing. Its formal logic is simple. Locate the areas where prices yield the most profit compared to where it yields the least.

Now curiously this computer cannot anticipate movements in advance because it is not conscious. It can only detect these movements once they have already occurred, or post hoc as the author describes it above. The programmers laughingly call their computer the *catch up computer*. It’s always behind the times. On the other hand no matter how many modifications to the programme they make, they cannot eliminate over and under production by refining the movement of capital so that only the right amount of capital heads towards higher profit areas from lower profit areas. In fact their programme is buffeted by continuous oscillations as it tries to work out optimum production runs. They recognise this oscillation between over and under production to be wasteful but they are powerless to eliminate it.

The problem arises from the computer language used which is based on prices. This is second-hand information. It only comes to light once the consumer has spent money, not before. Of course the programmers are aware that some of the marketing departments in larger companies try to get first-hand information by surveying their customers to determine what their spending intentions are. Unfortunately, these programmers know this information is fragmented and partial because it is focused on only one product and does not reveal the consumers diverse and comprehensive spending patterns.

They know there is a solution. Get consumers to inform them first-hand as to what they are going to buy and or, if a new product is introduced, what they are not going to buy. If they could aggregate this information, they could ensure the movement of capital is controlled, and therefore, they can rename their more accurate computer - *the pro-active computer*. But their bosses will have none of this as it smacks of communism.

The fact is that Hayek's lauded *price discovery* is delayed knowledge. It belongs to the realm of trial and error. And even here is its flawed. The price which Hayek is describing is twisted by profit. Market prices in the capitalist mode of production tend towards the price which yields an average rate of profit as distinct from its actual cost of production. This is the celebrated equilibrium price described by economists. But in order to achieve this market price the commodity must become detached from its underlying cost of production. As a result, the products emanating from higher composition sectors or what is called capital intensive industries are always over-priced, and vice versa, the products emanating from lower composition sectors or labour intensive industries are always under-priced.

So how can a society make rational choices when prices and costs deviate, when no one knows what anything actually costs to produce. From the perspective of society as a whole, these prices are irrational, they are only rational for a minority in society, the capitalist class obsessed with profit making. So why oh why would any Marxist ever contemplate using market prices to correct planning in the form of market-socialism.

Market-socialism is not a theory. It is a defensive reflex against the criticism made by Hayek of planning amplified by the failure of planning within the USSR. Market-socialism is trapped in the realm of bourgeois ideology because it does not represent a historical break from markets, the commodity and money.

Turning to the article written by Sam Gindin

I agree whole heartedly with the author in his opening section titled: *WHEN HOPE "RINGS ODDLY IN OUR EARS"* "For socialists, establishing popular confidence in the feasibility of a socialist society has become an existential challenge. Without a renewed and grounded belief in the possible functioning of socialism, it's near impossible to imagine reviving and sustaining the socialist project." "However valid Marx and Engel's historical criticism of the utopians may have been for their era, there is a compelling case — equally historically driven — to take a different turn in our times." Bravo! And I agree with his observation that the absence of a historical alternative, or at least discussion centred on it, has led to the marginalisation of the contemporary left.

The author then takes us on a useful journey through the late 19th century and early 20th century when socialism was actively discussed. This continues to page 7 and it is informative. But what is omitted by Gindin is the more important, a full discussion or review of the failure of the USSR. If today workers are

overwhelmingly dominated by the ideology of the capitalist, it is because this ideology has been amplified many times over by the collapse of 'living socialism', aka the USSR.

In the aftermath of the collapse of the USSR it is not utopian to discuss an alternative to the capitalist mode of production which is impoverishing the working class and threatening the planet. Far from being utopian we are obliged to discuss this alternative, for its absence is the biggest advantage the capitalists have in their ideological armoury, because if they can convince workers there is no life beyond the walls, workers will never proceed to tear down the walls, this time for the right reasons.

We avoid utopianism when we adhere to the following paradigm. Firstly, it needs to be based on a critique of what went wrong in the USSR. Secondly it must be based on dialectical thinking, that is to say, a recognition that the lower stage of communism is a synthesis or resolution of the contradiction between capital and labour, which therefore still bears the stamp of the earlier society which cannot be avoided but must be worked through. The highest expression of this is to be found in the [Critique of the Gotha Programme](#) as well as *Das Kapital*.

[My draft programme](#) embraces these two elements. Gindin's article does not. In it I seek to apply the Critique of the Gotha Programme to the lessons learnt from the failed USSR. This makes it concrete. I would also urge that the reader reads the two following articles which expand on what is said in my programme, and which allows me not to have to repeat myself. [THE COMPLEX GRANDEUR OF COMMUNISM BUILT BY WORKERS TO THE RHYTHM OF UNIVERSAL LABOUR TIME. & LABOUR TIME IS THE VISIBLE HAND GUIDING PRODUCTION AND CONSUMPTION.](#)

My programme also solves a problem raised by Gindin. *"Moreover, even among the revolution's original participants, the heightened consciousness of that moment can't simply be projected into the ensuing, more mundane world of meeting daily needs. As these workers become the new administrators of society, it can't be assumed that questions of bureaucracy and self-interest will inevitably fade into yesterday's problems."* Societies may be born out of the action of heroic individuals but they certainly cannot be built by heroism alone. I too have addressed this problem via my programme which seeks to unite an unequal class through a programme of equal rights to foster a dynamic economy capable of providing the resources needed to overcome these inequalities. Appealing to workers' better natures, the basis of heroic assumptions, is no substitute for a bill of workers' rights. The lower stage of communism is cemented in rights, rights in their fully realised form, no longer neutered or limited by private property.

Let us now attend to Gindin's proposals. I will go through them in a logical order. *"The primary quandary of socialism lies in how to concretely manifest social property in the means of production. Can workers run their workplaces? If social property is organized through the state, where does worker control fit in? If social property is divided among worker collectives, how do the particular interests of each collective mesh with the social interest? And can these fragmented collectives counteract the centralized power? That is, can the concentrated power that comes with comprehensive planning be democratized? Such dilemmas — contradictions may be more apt — cannot be conjured away by appealing to the further development of the productive forces inherited from capitalism, whether that involves the "end of scarcity" or the explosion of computer power, artificial intelligence, and big data. Nor can they be resolved through expectations that the experience of "revolutionary praxis" in the course of ending capitalism will bring a level of socialist consciousness that similarly disposes of such questions."* Scarcity for the author is a living issue and problem to be dealt with which he discusses after this quote found on page 8.

He then discusses the issue of computation and the technical solutions, but he also recognises that planning is not only about computation but information which opens up a rare discussion on the USSR where information was opaque and manipulated. On page 9 he discusses computers in the context of how voluminous information would be in a planned economy. Actually it is not as voluminous as many think provided that planning is done from the consumption side. When the planners are told what to produce, they need only concern themselves with how best to produce it. In a sense consumers are doing much of the computing for the planners. Therefore they do not need to be distracted by endless discussions or investigations over what to produce and in what quantities. Their task is simplified and they need fewer computers to fulfil it.

This is the beauty of consumer led planning as outlined in my programme. The planners are told what to produce as well as how much of each. This side of the computation has been done for them. This is the sphere of satisfying individual needs and wants so that workers who expend their labour are rewarded by the products of their choice. But there is another sphere of planning, the social or common fund.

This is the sphere of collective consumption and the satisfying of social needs. Once workers have decided how much to deduct and donate to the social fund, the size of the social fund is fixed as a share of the social product. The resources are then available to be spent on perceived and informed priorities. Unlike consumer led planning which specifies the detail of the plan, here workers decide the broad budgets for each area such as health, education, pensions, social care and provision, insurance against disasters and so on. It is also worth mentioning that they decide how much of the fund will be devoted to additional investment, not only to expand production, but to humanise it. (More on this aspect of the social fund later.

“The primary quandary of socialism lies in how to concretely manifest social property in the means of production. Can workers run their workplaces? If social property is organized through the state, where does worker control fit in? If social property is divided among worker collectives, how do the particular interests of each collective mesh with the social interest? And can these fragmented collectives counteract the centralized power? That is, can the concentrated power that comes with comprehensive planning be democratized.” These are the questions posed by the author which we will see are all wrong. We will come to see that property is not organised by the state, that this property is not divided amongst worker collectives (despite the desire of the anarchists), that there is no fragmented collectives vs centralized power because property ceases to be property capable of dictating distribution, that production is not fragmented between independent collectives and that consumer led planning has nothing to do with the state.

Thus what the programme proposes is a state which does not decide what will be produced, nor how quickly, nor at what price, nor what workers will be paid, and which is not allowed to levy taxes. The programme ensures the state does not become a centralised power, as feared by the author.

In the section *Layers of Planning* (page 19) the author discusses worker-elected sectoral councils as powerful new institutions and he discusses local community councils (page 20). These administrative bodies would be indispensable for devolving the budgets from the international to the national to the regional to the local level. This does not require the intervention of a market because the guidance on these forms of expenditure will have been set when the overall budget was first collectively agreed and established. For example the level of pensions per person would have been set, the amount of childcare per child would have been set, the amount for education and so on.

The local councils then become budget holders as they are best placed to oversee its distribution. This gives new meaning to Marx and Engels' view that these bodies are essentially administrative bodies. They administer the social fund at a regional or local level. It is likely a buffer will be built into the overall budget allowing for a degree of variation or discretionary spending based on local need which these councils can access. The point being made is this. Once again, the councillors in this sphere do not decide how much can be spent and on what or on whom. That has been decided for them democratically at a higher level.

What is important to understand is that consumer led planning is the dominant form of planning. To show why this is the case, let us assume workers agree to a deduction of 40% from their contributions. The social or common fund will then amount to 40% of the social product. (We ignore the issue that this figure of 40% could be lower because workers in receipt of the social fund may also be deducting their share.) This means 60% will immediately fall within the scope of consumer led planning as the producers spend their 60% on their own personal preferences. Let us assume further that of the social fund equating to 40%, three quarters or 30% will be spent on social need and administration while 10% will be spent on new and additional investment. This 30% will provide the income of the providers of these services, say teachers and nurses amongst others, and some will be paid directly to the likes of pensioners. In the end this 30% will be consumed in a manner identical to the 60% via consumer led planning. Thus at the end of the day, directly and indirectly, consumer led planning will account for 90% of the social product. It will be the dominant form of planning.

This 90% in terms of magnitude has its own significance. It avoids the issues of competition over the allocation of resources on a local, regional and international level. Due to accurate and honest accounting, the total hours expended in production will match the total prices of the articles for consumption. Thus the plan is fully costed and balanced. Every task is so to speak fully financed.

It is then only a matter of apportioning the labour time and means of production to achieve the plan. A difficult project in its own right but achievable through the closest co-operation between the producers and planners. Knowing the tasks set them, the producers are best placed to implement them via their organic relation to production. Thus due to the intimate inter-relationship between producers and planners the plan is refined and made workable.

It is worth noting that the investable part of the social fund will prioritise overcoming the uneven world economy and rejuvenating those parts of the national economy suffering a lack of investment. It will be a case of work coming to the workers not workers going to find work.

What we will definitely not do is following: *"This would take the form of a portion of the surplus generated by the collective going to its members as collective goods (housing, sports, culture) or income for private consumption."* Collectives would be unequal and thus the surpluses they generate will be unequal. It is only by providing a unitary fund that this can be avoided, this is what the social or common fund amounts to. It is a unifying surplus, the only surplus found in a communist society, and it does not lie in the hands of collectives but in the hands of the planners. It is the only source of additional investment.

The issue of 'opportunity cost' the author introduces to justify the benefits and role of a surplus in the hands of a collective is a red herring. The planners will always be guided by the need to reduce labour time without reducing the quality of the product which voids the issue of opportunity cost or of doing things differently. Opportunity cost only applies to a capitalist society divided by production where production takes place in discrete independent private producers seeking an advantage. In a unified and

coherent society, aka a communist society, the most efficient employment of materials and technique is baked into the system of planning.

It is now time to draw the consequences of Gindin's proposals for independent collectives. This can be found in the extract below. It is a lesson in how not to organise communism. Firstly Gindin violates his first rule – to treat the complexity of communism with respect. He acknowledges that workers will be paid for the hours worked and the intensity of their work. In short, they will be paid on the basis of output, or let us call the thing by its real name, piece rates, a disaster as proved by the USSR. This can only lead to sectional interests and reward the strongest. He then seems to dismiss the importance of this “wage” because it is immersed in the social wage, aka all the universal benefits workers will receive. He also talks of subsidized housing but that implies a landlord tenant relationship. *“Workers do not work for “others” but collectively organize their labor power with **the after-tax surplus** shared among them. Income wouldn't be based on receiving “the fruits of your own (private) labor” since work is a collective, not private activity. Those working get pay for their work based on hours worked and the intensity or unpleasantness of the work. Everyone, employed or not, shares in a social wage — the universally free or near-free collective services distributed according to need (e.g., health, education, childcare, transportation) as well as subsidized housing and culture.” “In the absence of income from capital, and with the social wage carrying great weight relative to individual consumption, the effective variation in the conditions of workers will lie in a relatively narrow, egalitarian range.”*

But worst of all, he talks about the after-tax surplus belonging to the collective and shared amongst the workers. This is wrong on so many counts. Firstly, a worker's state is not allowed to tax as this implies a power relation. Secondly if a surplus arises it means the workers in this collective have been underpaid so this implies exploitation. Thirdly it implies that the product of their labour must have been sold, thus turned into a commodity, as this is the only way income can exceed wages. Fourthly, that collective could be making a profit only due to chance, the lucky inheritance of means of production whose quality is above the average.

What about less fortunate workplaces saddled with inherited means of production that are more antiquated. What about their losses? Is it to be deducted from their wages. Wrong, wrong, wrong. My programme for the first time reveals what the essence of collective ownership means. It ensures that these means of productive property no longer affects distribution. Using weighted average labour times based on economic hours, the pricing system rewards all workers equally regardless of the quality or quantity of the means of production they are working with. **Thus the reward for collective labour is always on the output side not the income side.** Surplus or losses on the income side will always be divisive creating centrifugal forces. In a communist society workplaces are no longer independent, they form part of the whole. Workers are paid for their economic hours adjusted for capacity, regardless of whether they are throwing steel or preparing a computer graphic. It is as though society is one giant firm with each workplace being a department.

Let us indulge the author. Let us assume that the members of the collective sacrifice consumption in order to invest their surplus. Perhaps in conjunction with the local regional council that have identified a need or opportunity. Thus they set out to expand their production. For this to take place, more hands are needed and so they recruit new members. That implies there are idle workers and by implication a labour market though no one is allowed to utter those words. Moreover, are the new workers to be given permanency and equality with the original workers given they have “sacrificed” consuming now? It is

bound to create tensions as has happened many times in present day co-ops. Now it could be the case that the increased production is provided to the community rather than sold. That implies once again a loss of income which could negate the surplus produced elsewhere because now there are more mouths to feed in the collective. What then? Will the new recruits be shown the door? Or will the local council reimburse the collective for its efforts thus replenishing its finances? But if this is to happen the local council needs to tax its citizens. But taxation is not administration. A state which taxes cannot wither.

Or perhaps the collective uses its surplus for commercial purposes, that is it invests in production for the market. In this case the additional output is sold and converted into additional income. But here the collective would find itself in the same position as the capitalist, blind. They are not aware of the social need which is drawn up from the consumption side. They do not know whether or not hundreds of other collectives are themselves embarking on increasing production. They will only discover this through the movement of prices once their product is on the market waiting to be sold. They are just as dependent on the “*latent*” knowledge described by Hayek as the capitalist is. What a mess!

This is why we should be opposed to co-operatives except at the margins say hairdressing or coffee making. Large scale co-operatives in the sphere of production would break up collective ownership. Their presence makes it impossible to establish weighted average labour times because a significant amount of the means of production would now lie outside this calculation. And because of this, the sum of prices would no longer equate to the mass of labour expended because some of this labour would now be privately produced. Conscious planning would be broken.

Instead communism ensures that each and every worker is credited with the total amount of hours they contribute. This is likely to be at a regional level, not a workplace level, though the hours credited would have to be authenticated first by the work’s committee. Each worker then subtracts the percentage amount that has been agreed for the social fund which they then remit to the fund. The act of each worker having to activate the deduction may appear symbolic, but it is necessary, showing that it is being voluntarily given up. After that they can use their vouchers as they see fit with no interference.

Back from the future or back to markets.

Now it is time for the crux of the matter – markets – or Part 2 of his article. *“In this section we insist that that this is not a matter of planning versus markets but of discovering creative institutional mechanisms that structure the proper place of planning and markets.”* *“Rejecting markets in favor of leaving decision-making to the central planners comes up against the fact that, as the Soviet central planner Yakov Kronrod noted in the 1970s, economic and social life are simply too diverse, too dynamic, and too unpredictable to be completely planned from the top.”* Here I will insist that instead of helping planning markets debilitate planning. And I will insist further that the alternative to market-socialism is not centralised planning. (Note how Hayek haunts this author.) We have already seen that 90% of the social product is not decided by central planners but by workers as consumers, freeing Konrod from the worry that the economy is simply too complicated for planning and that it will result in a heavy hand squeezing the creative life out of society.

And again consumer led planning would avoid the tyranny of meetings: *“Given the larger interdependencies of production and consumption involved with their implications for a multitude of decisions being made and revised concurrently not just in sequence and each with cascading consequences, such a process could not help but lead to an oppressive tyranny of meetings.”* The only

meetings required would be technical in nature centred on organising production. I cannot foresee the future but I suspect that when planners are presented with what is to be produced and in what quantities, the number of meetings will fall by over three quarters because the “multitude of decisions” will reduce.

While Gindin rejects labour markets his position on the nature of work is libertarian. *“Yet the question of reallocating labor remains and, if workers are to have the right to accept or reject where to work, this implies a labor market of sorts. But this would be a labor market of a very particular, limited, and decommodified kind.”* So workers need not work in accordance with the plan which means the planners cannot plan because if workers can pick and choose when and where they work creating a labour market of sorts, then labour time cannot be consciously allocated. There would be too many variables and inconsistencies. On this principle I stand firm; if workers have the right to choose the products they want and need, which forms the plan of production, then they have the duty to work in accordance with the plan. Production is collective. If Gindin wants to go back to petty craft production I will not stop him, but when it comes to a highly developed and organised society, a communist society, his libertarianism has no place.

And he envisages credit markets and therefore money, because in the end credit has to be extinguished by money. *“And though credit will exist under socialism in terms of providing credit for consumers, funds for individual or small co-op start-ups, or workplace collectives dealing with the gaps between buying and selling, financial markets based on the creation of financial commodities would have no place.”* Here we have a regular market economy but without financial capital, but also without an explanation of what the source of these loanable funds is. If they come from the state this would necessitate taxation.

Also what the author omits is crucial, will workers be paid with money. Later he implies they must be, because the goods the collective sells is turned into money.

All of this is utopian because once money circulates one can never know where it accumulates. To say, but ah, the state will prevent this is to envisage a permanent state, because it will always need the power to guard against excesses building up. And how can money co-exist with labour vouchers without corrupting these vouchers?

So here we have a situation where workers do not engage with the planners directly. Instead the poor planners, like the programmers at the top of this article, have to wait for money to be spent so prices can talk to them. But prices only provide delayed, partial and indirect information, which does not belong in a more highly organised communist society. It would be regressive.

Planning can only take place when prices are attached to costs of production, because these costs of production represent labour time expended, and planning is all about the allocation of society’s labour time. Money dislocates this. But perhaps the author actually intends for workers to still provide the planners with their prospective spending decisions on top of spending their money. If that was the case then lo and behold the following will happen; if the planners have prepared production according to these prospective spending decisions then market prices will tally with planned prices. No demand and supply ambushes here! No disjointed production and consumption, so why oh why the need for markets and money and independent collectives. Are we to make a revolution only to bring back the past. No, a thousand times no.

Conclusion.

Once again Gindin confirms that those who propose market-socialism will end up robbing the international working class of its future. In the ideological struggle to come, one of the obstacles to providing a living alternative to capitalism and its markets will undoubtedly be the proponents of one form or another of 'market-socialism'. This will form the backbone of "Academic Marxism". By revealing all the contradictions plaguing market-socialism, that it is a non-starter, we seek not only to prevent it, but to bury it together with the ghost of Hayek and Von Mises.

Brian Green 8th March 2023.