

THE ECONOMICS OF SELF-MANAGEMENT

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P R E F A C E.

The article The Economics of Self-Management outlines what will probably be the basic nature of conflicts in organizing a socialist economy. The concern of the author when approaching economics, like ours, is not primarily with efficiency or increased Gross National Product. His fundamental assumption is that economic problems are to be solved within the encompassing context of a society dedicated to the satisfaction of the deepest human needs. In fact, economic problems are problems of equality and freedom and their solution is ultimately a political one.

In conformity with this view and our definition of class societies (those characterized by a division between a minority of order-givers and a majority of executants) solutions to conflicts of interests among groups of producers and other conflicts outlined in the pamphlet are not conceived in terms of centralizing of control or maintenance of dominant managers. Hierarchy is the basis for destructive societies and a "solution" which compromises on this principle is not only a non-solution, but is a step towards class society.

It is to be expected that advocates for capitalist society would claim that a self-management society could not work. However, leninists (Trotskyites, Maoists, etc.) also reproduce this belief, not only in their elitist party scheme, but also in their attitude towards solving these problems. They offer the non-solution of central authority. In fact, ultimately they owe their allegiance to the bourgeois notion of the necessity of managers, that is, the necessity of some having power over the lives of others.

It is here that we part ways because we believe that any society will not be free unless the individuals in it have this free decision-making power. This is the basis of our humanist philosophy, and the importance of self-activity runs consistently through all our involvement from the nature of the Self-Management Group to our approach to struggle in the institutions of this society.

We believe our approach to the solution of economic conflicts is the only practical one, while our concern is not with production for production's sake or for efficiency as an independent value. Our approach is more practical because it transcends the dilemmas of a class society.

In capitalist society the direction of social forces is to make machines of human beings. The production of "fully adjusted" individuals is attempted. In this attempt to make suitable cogs, the humanity, rationality and freedom of individuals has to be shorn off. Unfortunately for capitalist society, human beings cannot be made to fit models of "economic man" etc. and they react against the attempt. What is produced is a large proportion of the unsuccessfully adjusted (schizophrenics, drug addicts, alcoholics, suicides, criminals etc.) and a majority of people adjusted (read reduced, destroyed) enough to make them functioning citizens. However, they are constantly provoked to resistance (see pamphlet Working Class Consciousness). This is the fundamental "inefficiency" or "impracticality" of capitalism and it is from this that the struggle for socialism grows. A society which is adjusted to the

needs of human nature, rather than the reverse, as well as being humane, is more workable than the permanent mess of class society.

The following is a list of pamphlets which are, or will be available either by writing to The Self-Management Group, P.O. Box 332, North Quay, Brisbane or purchased from The Red and The Black Bookshop, Shops 21 and 22, Elizabeth Arcade, Brisbane:

MODERN CAPITALISM AND REVOLUTION by Paul Cardan
THE MEANING OF SOCIALISM, by Paul Cardan.
THE IRRATIONAL IN POLITICS, by Maurice Brinton.
THE FATE OF MARXISM, by Paul Cardan.
STRATEGY FOR INDUSTRIAL STRUGGLE, by Mark Fore.
FRENCH REVOLUTION, 1968.
WORKING CLASS CONSCIOUSNESS.
ECONOMICS OF SELF-MANAGEMENT.
CRISIS IN MODERN SOCIETY.
AS WE SEE IT.
THE KRONSTADT COMMUNE, by Ida Mett.
FROM BOLSHEVISM TO THE BUREAUCRACY by Paul Cardan.
THE WORKERS OPPOSITION by Alexandra Kollontai.
THE BOLSHEVIKS AND WORKERS CONTROL, 1917-1921 by Maurice Brinton.
CRITIQUE OF HISTORICAL MATERIALISM by Paul Cardan.
HUNGARY, 1956 by Andy Anderson.
MOUNT ISA by Bretta Carthy and Bob Potter.

Some comrades who have seen articles in factories or elsewhere with a similar content may be confused by the change in the name of our organization. Formerly we were known as the Revolutionary Socialist Party. We recently changed this for two reasons. Firstly, we wished that our name be clearly identified with the essence of our socialist position: hence Self-Management. Some comrades were also concerned with the word "party", given its historical connotations. While expecting to be attacked in the future as in the past no matter what we called ourselves, we agreed to change the word to "group". No more on our idiosyncrasies. This explanation was to provide an historical continuity which is real to us and to assert that we are still organized and fighting for the same principles as we were before.

SELF-MANAGEMENT GROUP - FOR A SOCIETY

BASED ON WORKERS' COUNCILS.

20th December, 1971.

THE ECONOMICS OF SELF - MANAGEMENT.

Marx wisely refused to give "recipes for the cookshops of the future". This has not prevented some apostles of "workers' control" from drawing up organisational blueprints for imaginary worker-controlled industries (1) These are arid and meaningless academic exercises. Nor has it stopped the technocrats of state capitalism, and their sympathisers in the West, from developing the "economics of planning". This pretends to put socialism into practice, but turns out to be just another form of exploitation. (2)

It is obvious that, by definition, workers' management must make its own future, rather than administering the pre-conceived schemes of revolutionary intellectuals, however well intentioned. Equally, the elimination of all ruling classes, whether based on private ownership or on state-party bureaucracy, is essential for genuine self-management. But this does not mean that it is absurd to ask questions like "How will it work?", or "What problems will it face?". I hope to stimulate some discussion on questions like these, which are too important to be left until after the revolution.

The abolition of money assumes that the scarcity of material things is no longer a problem. This will take generations rather than decades. Britain may be affluent but two-thirds of the world is not. The administration of things will replace the government of people, but important and difficult decisions will still have to be taken in the administration of production.

For example: how will it be decided, under self-management, when and where to build a new power station? Or whether such a power station is to be coal-fired or nuclear? The decision will no longer be taken by a handful of managers. But it can't be left to a workers' council in any existing power station, or even to power workers as a whole. The effects are too far-reaching for that - miners, engineers and construction workers will be directly affected, and a project of such a size will concern "society as a whole", that is, all workers in all industries.

Eventually, whole industries may have to disappear. If a sensible international division of labour is to be achieved, it may be necessary for Britain to stop producing textiles altogether, and to accept imports from Asia; or for sugar beet producers to yield to sugar cane. Of course

(1) E.G. The Dockers' Next Step, pre 1968 Coates and Topham.

(2) For example Preobrazhensky, The New Economics, Oxford, Clarendon Press, 1965.

redundancy in the present sense of the word will not occur, but changes like these could be painful to those concerned. Again, it is difficult to see how decisions of this importance could be taken solely by the workers directly affected. Everyone would have a stake in what happened.

These examples have several features in common. None of them concerns the everyday running of production, for it is here that the least problems arise. Direct self-management of the internal workings of a car assembly plant or a large office could hardly be any less efficient or any more prone to chaos than the present system! It is where large groups of workers in different industries, regions, and even continents come into contact in the course of production - and they must, unless you want to go "back to the land" in anarchist fashion - that the difficulties arise.

Secondly, the difficulties aren't merely technical ones. They don't just concern the co-ordination of decisions taken by different groups of workers. They involve direct conflicts of interest between workers. If the power station is built in Northumberland, Yorkshire suffers. If it's nuclear there's less jobs for miners but (perhaps) the fuel is cheaper. Lancashire cotton workers may have to leave the jobs they grew up in to benefit the workers of India.

Conflicts like these are found in capitalist societies. They are settled over the heads of those concerned, and used to divide and manipulate the working class. But it would be unrealistic to suppose that they will disappear in a classless, self-managed society. Until material scarcity itself has vanished, problems like these will remain.

So the economic problems of self-management don't just concern efficiency, and they don't just have technical answers. They involve conflicts of interest within the working class. I am going to suggest that the only solution is a political one.

Yugoslavia: A case Study.

The case of Yugoslavia is a very interesting one. Since the early 1950's, and in particular since 1960, the official Yugoslav ideology has claimed that the society is organised on the basis of self-management, and uses this very term in its English language literature.

Yugoslav enterprises are in theory run by elected workers' councils which appoint and control the director and other technical staff. In practice, the actual power of these professional managers vis-a-vis the workers' councils seems to vary greatly from enterprise to enterprise (1). But there

(1) See A. Sturmthal: Workers' Councils, Harvard University Press, 1964.
International Labour Organisation: Workers' Management in Yugoslavia, Geneva, 1961.

J. Kolaja: Workers' Councils, the Yugoslav Experience, London, Tavistock 1965
D.S. Riddell: Social Self-Management - Theory and Practice in Yugoslavia
British Journal of Sociology, 1968. reprinted in Anarchy 95, January 1969

is no reason to see the system as a whole as nothing but a cover for stalinist one-man management. Many workers' councils do control their directors, so that the administration of production at the enterprise level is often - though by no means always - very democratic.

The problem arises in the relationships between enterprises and between workers' councils. In Yugoslavia, economic problems have been acute, far more so than might be expected for a revolutionary Britain (1). In 1945 Yugoslavia was probably the poorest and most backward country in Europe, and after the break with Stalin in 1948 it was subjected for several years to an economic blockade by the whole Eastern bloc. Its economy has nevertheless grown extremely rapidly, and this has inevitably been at the cost of higher living standards, in order to provide the resources for a very high rate of capital accumulation. At the same time, Yugoslavia has been forced to rely heavily on the world (capitalist) market, which has added to the pressures and distractions in the economy.

The orthodox Stalinist answer to such problems is the complete centralisation of economic planning, eliminating the autonomy of the individual enterprise over everything except the most routine matters. (These are left to the factory manager, who is a complete dictator over such trivia but is liable to be shot for failure!). This type of central planning is extremely often ludicrously, inefficient, and was abandoned by the Yugoslavs soon after the political break with Stalin. Today the official Yugoslav ideology proclaims "market socialism", which in principle completely reverses the former centralisation and replaces it with almost unlimited autonomy for individual enterprises. (2)

Whether or not this retreat from central planning is a genuine one will be discussed below. It seems astonishingly like the economic "thinking" of Barry Goldwater or Enoch Powell, but without the private property. Workers' councils (or capitalist firms) are supposed to decide what they are going to

(1) The literature on the Yugoslav economy is, on the whole, rather technical and I have not provided references for specific points. The main sources which I have consulted are listed below. Of these the Waterson book is easiest to read, and probably still the best, though now rather dated. (Ironically, he works for the World Bank. Such is the interest of socialists in the problem!)

A. Waterson: Planning in Yugoslavia, John Hopkins, Baltimore 1962

B. McFarlane: Yugoslavia's Crossroads, Socialist Register 1966, Merlin Press.

J. T. Bombelles: The Economic Development of Communist Yugoslavia 1947 - 1964, Hoover Institution, Stanford, California, 1968.

B. Sefer: Income Distribution in Yugoslavia, International Labour Review 1968.

Political and Economic Planning - Planning, No. 502, July 1968: Economic Reform in Yugoslavia.

(2) This is similar to the "economic reforms" of Dubcek's Czechoslovakia, or to the Libermanism in the U.S.S.R., only taken to extremes and placed against a background of more or less genuine self-management within the individual enterprise.

produce, sell it on the free market, pay their costs of production from the proceeds, and pocket the profits, if any. If they are unsuccessful in judging the state of the market, or inefficient in producing the goods, then they go bust. Investment decisions - to add a wing to a factory, build an office block, or even construct a new power station - are taken by these workers' councils (or capitalists) on the basis of whether they are expected to pay. For the bourgeoisie, individual self-interest and private profit rule the world; for the Yugoslavs, the self-interest of particular groups of workers.

All of this, of course, is a parody of the crudest form of bourgeois economics. But again defer the question of whether the Yugoslav does - or ever could, operate in this way. The important thing is that it is apparently intended to do so. What would be the result if it did?

1. It would be very inefficient. How could a workers' council tell whether a new power station would be profitable? It would have to assume (guess) that the extra generating capacity would in fact be used. This would depend, for example, on whether workers' councils in engineering were going to need more power. In turn this would depend on their plans for future expansion. But these plans might depend themselves on their assumptions (guesses) about the availability of power if they did expand! So you might end up with too little generating capacity, or too much, or even (occasionally and by accident), the right amount. In any case alternating periods of inflation and unemployment (under socialism!) would be inevitable.
2. It would be very unfair. Workers in expanding industries, or prosperous coalfields, would be better off relatively to their comrades in declining industries and worked-out pits. Fortunately, growing regions would prosper at the expense of stagnation and decay elsewhere. In reaction against the uncertainties already mentioned, workers' councils would begin to get together to fix prices and control output. Some would be in a stronger position to do this than others, and would profit accordingly. (Workers' Weinstocks?) All this would happen without greed or malice on anyone's part (though these would probably be encouraged) It would be seen as the natural way, the only way, out of a crazy situation. But it would have nothing to do with socialism.

In short, a complete decentralised system would run into all the economic problems of capitalism. This the Yugoslavs are beginning to find out. Regional differences are still very great. Blatantly unjustified wage differentials exist. Monopolies and giant combines - perhaps without the Stokeses and the Weinstocks - but otherwise unpleasantly similar - are springing up.

At the same time, there has never been a complete renunciation of central control of the economy. The state has the usual powers of taxation, and so can determine over the heads of the workers' councils how much of the total production is consumed, and how much salted away for accumulation. It can allocate foreign exchange where it wants it to go, favouring some industries or enterprises and not others. (This is a very potent weapon in a country where machinery and raw materials are often not available at home at

any price). The State still has considerable control over the banks, and even direct price controls have been introduced at times. All this is done by a state machine subject to the ruling, and only, party. It is not done by the working class itself.

So Yugoslav self-management is on a knife edge. It can be legitimately attacked, at the same time, from two different directions. In some ways decentralization has gone too far, and the anarchy of the market has been substituted for socialist co-operation. On the other hand, the autonomy of the self-managed enterprise is limited by the powers of a state which is not accountable to the working class, and which curtails freedom of speech and the rights of opposition.

At present it seems as though central planning in Yugoslavia is dying very fast(1). I find it rather difficult to believe that an entire ruling class is about to commit mass suicide in this way. If I am wrong, however, the future for Yugoslavia is not at all clear. It could be that the professional managers will take over where the party officials and the bureaucrats leave off. In any case, a laissez-faire Yugoslavia, however democratically managed at the enterprise level, would hardly deserve to be called socialist.

If self-management is to avoid the injustices and distortions which result from the free play of the market, some co-ordination and some centralization will be necessary. It is important to be clear on this. Major decisions on production will not be taken by experts (or high-ranking incompetents). Nor will they be taken by members of a political party which claims to represent the working class. They will be taken by mandated delegates from all the workers' councils, subject to instant recall. But the decisions of a central workers' council, however democratic and reasonable, will inevitably involve sacrifices by some workers in the interests of others. There will be situations in which the wishes of minorities will have to be disregarded.

The only safeguards in such circumstances are political ones. Complete freedom of speech, assembly and political organisation must be the absolute right of all socialist tendencies and of all the interest groups in the working class. And "socialist" must be defined very broadly, so that no one faction can eliminate all the others under the guise of being the only "true" socialists! The need for political organisations will be increased,, not reduced. Faction fights within workers' councils will need to be positively encouraged. Active steps will have to be taken to decentralize the mass media. The right to strike - however "unreasonably" - must be guaranteed. It is not accidental that the need for complete and genuine socialist democracy has recently been emphasised by libertarians engaged in struggle against a particularly vicious form of state capitalism in Poland(2).

In all this the role of the expert will be greatly changed. There is a danger that, just because people will be willing to listen to reason when society has been put on a rational basis, "expert advice" will not be

(1) See the recent articles quoted above.

(2) Kuron and Modzslewski: An Open Letter to the Party (I.S. 1968)

criticized enough. (I have attempted to suggest some of the implications of self-management for economics itself in the Appendix). The basic problem of self-management, however, is not to do away with planning or expert advice, nor to let the planners and the experts - in whatever form - take over. The solution is to subject planning to democratic control, and this will only be possible with complete political freedom.

APPENDIX: Self-Management and Economics.

Bourgeois economics is in a pretty bad way. (To be fair, the same could be said of modern marxist economics too). Scepticism is unavoidable for a "science" which is still unable to define or analyse satisfactorily such basic concepts as profit, capital, or even money. As a social science, studying and criticising the economic aspects of capitalist society, it is a non-starter. (For example, modern "welfare economics", with its obsession with perfect (sic.) competition and its reactionary treatment of income distribution (1)). At the same time, some of the techniques which it has developed - such as input-output analysis and linear programming - may have their uses in a self-managed economy, in the same way that chemistry will still be useful, despite all the napalm and nerve gas.

It has been suggested that economics ought to become "value-free", to become a technology which takes its orders and carries them out, rather than trying to say what ought to happen(2). This is of course impossible at the best of times - your values help to determine the questions you ask, the 3 you select to help you answer those questions, and the answers you come up with. It is blatantly absurd in a society where everything is subordinated to the defence of the ruling class. Even a genuine socialist economics could never become simply a technology. (I wonder if engineering is. Does the man who designs a bridge merely execute his orders, making sure that the structure is as cheap as possible and won't fall down too quickly?) But it would have to reduce its pretensions. Again the danger is the cult of the expert, making everything appear as a purely technical problem and thus eliminating the possibility of democratic control. (And incidentally hiding the possibility that the expert might be in for a percentage on the outcome of his "impartial" findings).

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