

## Book Reviews

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Bruno Jossa and Gaetano Cuomo, **The Economic Theory of Socialism and the Labour Managed Firm**. Markets, Socialism and Labour Management, Edward Elgar, Cheltenham, 1997. ISBN 1 85898 431 9

This is an important book which deals with a wide range of issues concerning the human condition that have a bearing on the book's main themes. These themes are the refutation of orthodox economic analysis of socialism and the affirmation of the worker managed enterprise as the basis for a theoretical socialist political economy. I say theoretical because their final position seems to suggest that this model lacks a realistic opportunity to be implemented. In the process of arriving at this rather tame conclusion Jossa and Cuomo reaffirm the theoretical credibility of Socialist Economic Theory at a time when the new orthodoxy from both the far Thatcherite right and (more significantly perhaps) the New Labour analysis appears to be accepting free market capital-based business leadership and the economic theory which justifies it as if there is no alternative. This book is, therefore, hard going for the non-specialist. The very scholarly discussion by Jossa and Cuomo takes in the full range of the debate that has raged over the century since Marx wrote *Capital* and I cannot do more than selectively pick up some of the points which I feel will be of interest to readers of the Journal and may encourage them to read this book for themselves; I am sure it will repay the effort.

The analysis surrounds the authors' definition of three contending models of economic system: capitalism, characterised by private ownership; classical state socialism in which the system is publicly owned and run by managers/planners; and labour-managed firms operating on the basis of borrowed money. The collapse of communism perhaps makes it easier for the authors to discard the second system and pit market capitalism against market socialism.

Co-operators may not necessarily want to accept their definition of market socialism as being made up solely of labour-

managed/owned firms. Are we to subsume consumer co-operatives as capitalist firms?

The other reservation I have with their whole approach is that it is very much the "big system" approach. The argument that a system of labour management can eliminate exploitation I find unconvincing and rather diverting. Do we really have to prove a perfect world in order to justify co-operative ownership of the means of production and distribution? Later (pp308-309), when discussing Gramsci and Novark on the formation of human character, they seem to moderate their claims in this regard.

The idea that labour management and managerial socialism are different conceptually is a key idea around which much of the book's analysis depends. It seems to me to involve ignoring the issue of leadership (entrepreneurship) and its role in activities characterised in the term "management". The authors spell out what a labour managed firm's management is like "As for the labour managed firm, there is no doubt that its main characteristic is that power is vested in the workers". (p113) The notion of direct election of managers (p114) is a diversion that discredits an otherwise erudite and convincing discussion, and shows just how little these two economists understand about selection and recruitment procedures or succession planning. In my view managers do not have to "run" autonomous firms owned by the workers (p114) but they do have to lead those firms. It will have to be a democratic and transparent leadership certainly and one that involves and devolves responsibilities for many aspects of the operations to those executing those operations, but it cannot be worker control in the direct day to day sense in any but the smallest enterprises. Rather it is a management control that is accountable to labour, and directed to the purposes of labour rather than capital, that should be the focus for theoretical attention.

Their treatment of the general co-operative movement seems ambivalent. Jossa and Cuomo's review of Maffeo Pataleoni's criticism of co-operatives (p146) as just another private enterprise offers no real challenge to this absurd proposition beyond taking up the proposition that worker-owned co-operatives do differ by being wage-maximising not profit-maximising firms. If this proposition is the only defence against Pataleoni's proposition,

and they offer no other, this appears an indirect way of saying that Pataleoni's critique still stands for the rest of the co-operative movement. This is of course nonsense. All co-operatives exist to provide open access to members who can benefit from the services the co-operative provides. No co-operative is a profit-maximising concern; they are rather service maximising enterprises. Not only that but, they exist to provide market leverage for individuals, families and small enterprises in the marketplace, as well as access to the benefits of the marketplace.

Jossa and Cuomo discuss the criticism made by Hayek and von Mises that efficient prices cannot be arrived at in a planned system because of insufficient information. The proposition that only the entrepreneur can strive to identify market information seems almost metaphysical. All business has to plan on the basis of forecast prices that are based on the best estimates drawn from the market intelligence that is available, ownership or management structures notwithstanding. Why is it OK for the big eight transnationals, with turnovers equal to 50 countries housing half the world's population, to engage in planning but not the business known as Cuba Ltd? One big difference it could be argued, is that there are no shareholders of Cuba Ltd only stakeholders who cannot sack their management. But this is an issue concerning governance not planning or price-determination. For the record, apart from the shareholders no other stakeholder group can sack the management in a capitalist firm either.

The book discusses Hayek and von Mises' argument that innovation is a capitalist monopoly. This is to confuse the search for profit with innovation. In fact nearly all technological innovations are the products of the inventions of human labour in tool rooms/workshops or laboratories and often are the product of teamwork. Capital simply follows and invests in these innovations. If the markets and the needs are identified, will the inventors stop inventing just because there is no capitalist investor? Much pure and applied research has been publicly funded. However the inertia and conservatism of so many segments of the co-operative movement world-wide not least in the worker co-operative sector, means that for me that this particular criticism of socialistic organisation may require more serious consideration than it in fact gets in this book.

The disappointing conclusion, that self managed firms must be externally promoted and nationally established to survive,

does not entirely square with the all the facts but the importance to worker co-operatives of external promotional bodies is clear from the UK's historical record. So is this the end of socialist economic models as practical propositions? Perhaps it is rather Jossa and Cuomo's model of market socialism that is the real problem. They are too restrictive in the organisational forms that are permitted to operate within it. They ignore the wide variety of alternative social and co-operative enterprise structures in addition to the labour-managed firm. This is, I believe, the problem in the book's approach to the many orthodox critics of co-operative and market-based socialism. This book deserves to be read, and the arguments put need in parts to be aired more widely and in others perhaps challenged in more detail than can be achieved in one short review.

John Siraj-Blatchford, **Robert Owen: Schooling the Innocents**, Educational Heretics Press, Nottingham, 1997.  
ISBN 1-900219-00-X

Anyone interested in the development of children should read this entertaining and informative review of Robert Owen's ideas on education, their intellectual roots in Rousseau and the parallel ideas that have developed in Europe by such important figures as Pestalozzi and Piaget. Issues concerning the Nature v Nurture debate and the role of education in determining equality and inequality in society are discussed in a fast moving style that is generally accessible to the non-specialist.

Owen's ideas on children's education were revolutionary for their times and still are far from being implemented in our modern educational system. That they worked was not disputed by those who visited Owen's school in New Lanark but the will by those who have the resources to invest in this way was and still is lacking in our society.

Because the author tries to tie in the contextual material with his main focus there are some areas of detail where the generalisations become misleading. But these are mere asides to the book's overall focus. I can't help mentioning however, that William Thompson was in many ways much more the precursor of consumer co-operation than "Ricardian" Socialism. (see p1) Thompson attacked Hodgkins *Labour Defended* (1827) for emphasising production over distribution and for preferring tradition and the market to determining wage levels. Ricardian is in any event a misrepresentation of the English Labour Economists. Bray actually criticises Ricardo's wage fund theory. He also criticised Owen's Community strategy as ignoring the economies of scale being achieved in the new manufacturing system.

However, whatever the rights and wrongs of Owen's grand plans his approach to education and his emphasis on character formation made a lasting impression on our movement. Nor do we have to accept Owen's views on character as wholly formed by experience to recognise the power of the processes of learning through doing, and particularly through playing, in the early formative years. The moral and ethical issues of character for the successful operation of co-operation have never really been

acknowledged fully. Co-operative character as the first building block of the co-operative was an important message. The chapters dealing with the modern context raise many important points. Not least is the lack of teacher and parental control over the learning environment produced by today's working parents' lack of adequate creche facilities and the impact of the mass media in the home.

The disappointing aspect of the book is its conclusions, or rather lack of them. To learn needs motivation which needs vision. What is the vision our society provides? The support for children's development is one area where there is clear need but as yet inadequate resources. We must get the approach right and in this Robert Owen says a lot that repays our attention and justifies the work put into this book. But these ideas are labour-intensive and resource hungry. Are we prepared to pay to see co-operative schools run along the lines of Owen's for our children?