1. Introduction

This book revolves around the research hypotheses that capitalism is not a democratic system and that a system of producer cooperatives, or democratically managed enterprises, gives rise to a new mode of production which is genuinely socialist in essence and fully consistent with the ultimate rationale underlying Marx’s theoretical approach. In essence, these arguments reflect the ideas at the basis of a much praised book by Lewis Mumford, *Technics and Civilization*, viz., the conviction that the precondition for ensuring the survival of such priceless instruments of progress as science and technology is rescuing man from his enslavement to the tools he himself has created and overrated (see Mumford 1934, p. 15).

The proposition that ‘those who work in the mills should own them’, which is tantamount to arguing that firms should be run by the workers on their own, was endorsed by John Dewey, the greatest social thinker of the twentieth century, but is also shared by Marxists such as Anton Pannekoek, Karl Korsch, Angelo Tasca, Antonio Gramsci, Richard Wolff and Ernesto Screepani, as well as by socialist thinkers including Pierre Proudhon, John Stuart Mill, Karl Polanyi, G.D.H. Cole, Lucio Libertini, Raniero Pansieri and Franco Ferrarotti – to mention just a few. According to Hobsbawm 2011 (p. 37), it was the strong impression of the experience of the French Revolution ‘as a class struggle between nobility, bourgeois and propertyless masses’ that led Marx to conclude that it was time to liberate the proletarian from his subjugation to the bourgeoisie and even in Marx’s own lifetime a great many workers thought of socialism as the cooperation of producers (p. 54).

In times nearer to us, when two champions of a democratic transition to self-management socialism spelt out that ‘the institutions of proletarian power’ were to be established even before the revolutionary leap proper, i.e. over ‘the very course of the whole struggle of the workers’ movement for power’, and were to ‘arise from the economic sphere … the real

1 The argument that a cooperative firm system coincides with socialism was first set forth in Jossa 1978.

2 See, inter alia, Ferrarotti 1960.
source of power’ (Libertini & Panzieri 1969, pp. 41–4), they gave expression to the idea that this book is ultimately intended to advance.

The need to democratise first and foremost the economic sphere is suggested by the finding that the true and sole source of all power is economic action. Marx himself taught that democracy was incomplete unless political democracy was combined with economic democracy and that the latter was therefore the precondition for the evolution of formal into full democracy.

This means I cannot subscribe to Sartori’s (1995, p. 40) statement that the role of social democracy as the vital prerequisite for the existence of a democratic State or the need to work towards such vital goals as economic equality and industrial democracy can barely be called into question, but there is little denying that these are but secondary forms of democracy whose necessary precondition is political democracy. Indeed, it is a fact that these are subordinated, not sovereign aspects of democracy overall.

From my perspective, Sartori’s argument should altogether be reversed: industrial democracy is the primary form and the precondition for the attainment of full-fledged political democracy. As mentioned before, Marx himself made it absolutely clear that political democracy is incomplete unless it is complemented by economic democracy.

John Stuart Mill described a cooperative firm system as ‘the nearest approach to social justice’ and ‘the most beneficial ordering of industrial affairs for the universal good which it is possible at present to foresee’ (Mill 1871, p. 792). Ever since, economic theorists have been analysing the organisational aspects of worker-controlled firm systems and have reached the conclusion that a system of this kind can both operate at high levels of efficiency and ensure major improvements over capitalism. Sartre, for his part, rightly argued that such obviously democratic institutions as workers’ committees may act as ‘the founding stones of the future socialist society’ (see Sartre 1960, p. 29) and Landauer looked upon a cooperative firm system as ‘the first true step towards a strong stand against capitalism’ (see Landauer 1985, as quoted in Candela 2014, p. 210). The Italian patriot Giuseppe Mazzini contended that ‘acquiring title in the fruits of our labour is the goal that lies ahead’ and is to be pursued by any means since ‘the combination of capital and productive work in the same hands will result in immense advantages not only for workers, but for society at large’ (Mazzini 1862, p. 233). Much in the same vein, R. Tawney argued that the preconditions for attaining full freedom are absence of repression and, most importantly, opportunities for self-advancement through the extension of representative institutions...
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to industry (see Tawney 1918, p. 103), and Marković suggested that no theoretical approach could be categorised as truly radical or revolutionary unless it was ultimately aimed to create conditions under which producers in association would be able to freely dispose of the output of their work (Marković 1969, p. 143).³

Despite these authoritative endorsements, the idea of furthering the access to workers to the self-management of their firms, especially medium–large enterprises,⁴ hardly features on the agendas of any scholars, be they Marxists or non-Marxists. Cole has written (1920, p. 14): ‘theoretical “democrats” totally ignore the effects of undemocratic organization and convention in non-political spheres of social action, not only upon the lives which men lead in those spheres, but also in perverting and annihilating in practice the theoretical democracy of modern politics’.

Today, the idea of changing society by creating a system of democratically run enterprises is likely to gain fresh momentum due to the dramatic crisis of capitalism, the collapse of the Soviet-type centralised planning model and, even more generally, the decline of statism and kingship. In this connection, Bobbio wrote that ‘the leading actors in political affairs are invariably groups, i.e. associations, unions of various trades and professions, as well as political parties rooted in a gamut of different ideologies’. Consequently – he concluded – ‘it is groups, rather than individuals, that loom large in the political agenda of a democratic society without a king’ (for this argument of Bobbio’s, see Bolaffi 2002, p. 156). All the same, the proposal to establish a system of democratically managed firms features on the research agendas of just a few (Marxist and non-Marxist) theorists.

The claim that workers’ councils are nothing but a means of creating new forms of power or that the council movement, far from striving to abolish the State, is poised to create an ideal ‘society of producers’ as an alternative power model has been forcefully refuted by the well-known Marx scholar Valentino Gerratana (1972, p. 26). Those authors who describe a system of producer cooperatives as a new production mode do so on the assumption that a well-structured system of this kind will

³ According to Chomsky, it is still a matter for debate whether, and to what extent, State tyranny in the USSR was to be blamed on the Bolshevik doctrine or the circumstances under which the State arose and grew, but the contention that the Soviet state model was a socialist system is nothing but a cruel joke (see Chomsky 1971, p. 79).

⁴ In his Guild Socialism model Cole tends to restrict worker management to medium–large-scale organisations only (see Cole 1920, pp. 63ff.).
ensure effective control of production without interfering with the working of markets and is consistent with the ideals of the Marxian socialist tradition notwithstanding its market orientation.

At first sight, the decision to discuss a market system against the background of Marxian theory may strike the reader as surprising. In fact, it will appear quite obvious to anyone thinking that Marx’s revolution in social science can compare with Copernicus’s revolution in astronomy (see Plechanov 1911, p. 2) or that Marxist thought ‘will never die’ (Gramsci 1917, p. 43) and will be heartily welcomed by anyone thinking of revolution as a change of the current mode of production. Some authors have gone so far as to contend that cross-references to Marx’s thought constitute the sole mode of scholarly reflection that any social scientist is expected to adopt. According to Wright Mills, for instance, no one can think of himself as a modern social thinker if he fails to concern himself earnestly with Marx’s theoretical approach (see Wright Mills 1962, p. 7) and Bloom has argued that ‘each great cultural era of the globe seems to be fated to live through an absorbing and usually bitter controversy over the merits and relevance of the doctrines of Karl Marx’ (Bloom 1943, p. 53).

The equally unwarranted notion that the scientific gist of Marx’s method can only be brought into focus by expunging its mystico-religious dialectical kernel (see, inter alia, Sombart, Weber, Pareto, Schumpeter, Mannheim and Gurvich) and Pellicani’s clear-cut distinction between Marx the Enlightenment thinker and Marx the prophet of millennial communism (see Pellicani 1987, p. 186) will be addressed further on.

The question to be raised at this point is what Marx meant by socialism.

Before I attempt an answer, let me specify that ever since the close of the nineteenth century the ongoing debate over the comparative merits of

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5 From Pivetti 2006 (p. 82) we learn that Sraffa, aware of the scant regard in which Marx was held by mainstream economists and desirous to arouse the interest that his critique of economic theory deserved, did not mention that the true underpinning of his approach was Marxian theory. Since my target audience is principally formed of Marxists, such an overly cautious attitude is unnecessary in this book (on this point, see also Sylos Labini 2006, pp. 34–5).

6 With reference to this point in the preface to the first edition of Capital, Marx wrote: ‘In the domain of Political Economy, free scientific inquiry meets not merely the same enemies as in all other domains. The peculiar nature of the materials it deals with, summons as foes into the field of battle the most violent, mean and malignant passions of the human breast, the Furies of private interest’ (Marx 1867, p. 34).
capitalism versus socialism has always been revolving around a model of socialism typified by centralised planning. It is common knowledge that Marx and Engels strongly argued against Bakuninism on account of its failure to acknowledge the State and abstentionism in politics. ‘The call for suppressing the State’ – Engels wrote to Cafiero in 1871 – ‘is an old slogan we used to spout as young men, but it would be stupid to include it in our programme for the International’ (see Engels 1871).

A great many academics, including Pareto, have criticised the European model of socialism because of its allegedly statist overtones. Specifically, both Pareto and Hayek argued that the common starting point for any scientific approach to the essence of socialism is a comparative analysis of two antithetical systems such as free competition and state-controlled production.

It is well known that Marx flatly refused to concern himself with what he termed ‘the cook-shops of the future’. As indicated by Wright Mills (1962, p. 90), Marx thought it beyond our power to predict the organisational structure of the post-capitalist society and dismissed detailed scenarios of the future as nothing but the mental constructs of utopians and dreamers. Just as Marx hated indulging in daydreams, Wright Mills concluded, so he shrank from going into details about the future.8

Hence, although quite a lot of Marxists are ‘cynical about the prospects of creating a system of worker-controlled firms’, the contention that socialism does not coincide with either statism or social democracy is not at odds with Marx’s theoretical approach (see Mellor et al. 1988, p. 72).

Getting back to this point later, I will be arguing that within a socialist system founded on democratic firm management the State, far from suffering an eclipse, would be free to perform its function, i.e. to intervene in the economy in an effort to serve the interests of society at large.

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7 Bidet (2004, p. 83) holds that the basic ingredients of socialism are the principles that production means are jointly owned and that production is to be organised in accordance with a democratically developed plan. Much to the same effect, Kouvelakis has argued (2005, p. 203) that the abolition of class property and the management of national production by all cooperative associations according to a common plan are the only means to keep cooperative production from reaching a dead end or falling into a trap. These, he went on to conclude, are two pillars of what is clearly characterised as ‘communism’.

8 This same idea is at the basis of the argument that ‘it rests with the revolutionary movement to flesh out the best possible forms of production and distribution models’ (Kramer-Badoni 1972, p. 60).
The idea that what is termed socialism is a system founded on democratic firm management (rather than centralised planning) is gradually gaining ground thanks to advancements in scientific speculation.

One of the mainstays of self-management is the idea that ‘capitalism’s pathology cannot be imputed to the market’ (Bidet 2004, p. 82). According to Bobbio (1984, p. 136), the ‘goalposts’ of modern democracy are majority rule and the associated principle that each head is entitled to one vote, and it is hard to see why this principle should hold good for politics and not for economic life as well. The precondition for extending the ambit of democracy today, Bobbio argued, is proceeding from the political to the social domain, i.e. from the sphere where people are reckoned with as individuals, to the context in which their multiple roles in society come into play (Bobbio 1985, p. 147).

The idea that socialism boils down to economic democracy arises in connection with the distinction between two different cooperative enterprise models, worker-managed firms (WMFs) versus labour-managed firms (LMFs), and the classification of the latter as ‘pure’ cooperatives. An LMF, or labour-managed firm, keeps capital incomes strictly segregated from labour incomes and pays its members labour incomes only: for this reason the worker-members of a cooperative of this kind cannot be described (in the words of John Stuart Mill) as ‘their own capitalists’. And further on it will be demonstrated that a system of ‘pure’ LMF cooperatives literally reverses the current relation between capital and labour and thereby strips capital of all its power (the distinction between LMF and WMF will be discussed in detail further on).

In this connection, let me emphasise that a system of democratic firms is compatible with a flexible type of planning which fixes even more than the broad outlines of a possible product mix (see, for instance, Wolff 2012, pp. 142–4) and that the market socialism model upheld in this book assigns a major role to State intervention.

All the same – let this be re-emphasised – there is sufficient evidence that Marx did think of producer cooperatives as a possible new mode of production.

Today, some authors look upon the global worker movement as split into two main groups (recalling those in Russia after the Bolshevik
Revolution) which respectively advocate a Jacobin-fashion mass struggle similar to the Russian Revolution and a parliamentary transition to socialism (see, for instance, Mayer 1994, pp. 281ff.; Bolaffi 2002, p. 139).\footnote{The characteristics of political economy just mentioned have induced even qualified scholars to make incredibly false statements. An example in point is Antonio Martino, a full professor in economics who countered Schumpeter’s appreciative arguments that ‘nothing in Marx’s economics can be accounted for by any want of scholarship or training in the technique of theoretical analysis’ and his description of Marx as ‘the first economist of top rank to see and to teach systematically how economic theory may be turned into historical analysis’ with the scathing statement that Marx ‘commands our respect for his pathos, but not for his theoretical approach to political economy, of which he was absolutely ignorant’ (see Favilli 2001, p. 379, note 21, and p. 382).}

According to Massimo Salvadori (1979, pp. 549–50), the confrontation between these two groups recalls the debate over the first Russian Revolution that raged in Germany from 1905 to about 1907.

In this connection, there is an important consideration that those calling for a parliamentary transition to socialism have to bear in mind. As the representatives of the workers are a majority in all economically advanced countries, they might be expected to create a system of democratically managed firms by passing a parliamentary vote to this effect. Actually, such a development is impeded by the fact that ‘hegemony’ (in Gramsci’s definition) in today’s society is firmly in the hands of capitalists and that these use their control of the media in order to avert the attainment of full democracy.

According to Richard Wolff (2012, ch. 9), probably the most influential American Marxist today, what strikes us as absurd is that politicians pay lip service to democracy but fail to encourage any material steps in this direction: and it is this that explains why people have lost all interest in politics to the point of staying away from the ballot box en masse.

One of the key ideas underlying this book was well expressed by Lange (1957, p. 169), when he argued that the need for markets and economic incentives were important factors in support of the establishment of socially owned cooperative firms as constituent elements of a socialist system and that this was probably one of the reasons why Marx did not hold on to the idea of democratic firm management. Accordingly,
it is worth spelling out that the equation of socialism with democratic firm management requires a change in perspective on Marxian theory.\textsuperscript{11} 

As ‘Marxism develops and changes at every single step in the advancement of science’ (see Lenin, as quoted in Lombardo Radice 1972, p. 162), according to Schaff (1965, p. 256), it will hardly come as a surprise that different shades should be read into Marx’s texts upon each change in the prevailing conditions. In other words, provided it is true that ‘any stride forward taken by the revolutionary movement is enabled by the insight gained following a previous defeat’ (Mordenti 2007, p. 43), there are grounds for believing that the demise of the Soviet planning model leads us to read Marxism and socialism from a different perspective.\textsuperscript{12} The undeniable fact that Marx did not flesh out a detailed producer cooperative model may explain why the view of democratic firm management as the crowning achievement of scientific socialism requires a different focus on some of Marx’s key concepts.

A great many Marxists hold that violence, far from being dethroned by legality, has turned, as it were, into its supporting pillar. And as the law bears the indelible mark of the violent sway of the bourgeoisie, any attempt to make use of it as a weapon to eradicate violence from society must necessarily prove ineffectual (Frölich 1967, p. 84). All the same, it is my conviction that socialism can be established by peaceful means.

According to many, one still unsolved query is why the broad consensus for the values and culture of the left that shaped the sentiment of the general public right across Italy from 1968 onwards and throughout the 1970s has broken down (Finelli 2004, p. 7). As far as I can see, the answer is that even after the collapse of the Soviet model of society the Italian left held on to the idea of socialism as founded on centralised planning (rather than democratic firm management). In the opinion of Salvadori (2015), the current crisis of the left is caused by the globalisation of the economy, i.e. by the fact that the political and economic agendas are dictated by supranational oligarchies which are capable of controlling the media, influencing the opinions of electors and the general public and forcing the left into a corner. As a result, the left is ‘seriously ill and must gain an awareness that idle protest leads nowhere’.

\textsuperscript{11} Some economists hold that the post-capitalistic system will neither be socialism nor communism, but a peer-to-peer production model envisaging the production of socially owned goods made available for free use according to need (see Benkler 2006; Kleiner 2010; Rigi 2013).

\textsuperscript{12} ‘Painstaking theoretical work’ – Natoli writes (2008, p. 32) – ‘went into the making of Marxism, which is the ultimate source of the “lexis of revolution”’.
Moreover, statism is on the wane because of its inability to ‘steer the economy and offer satisfactory welfare’ (Bauman & Bordoni 2014, p. 22) in a globalised world and because historical experience has taught that it tends to generate inefficiencies and corruption. This conclusion is effectively summed up in Hobsbawm’s concept of the death of the State and its organisational structure (see Hobsbawm 2005).

One of the founding assumptions of this book, let this be repeated, is that the establishment of a system of democratic firms is the precondition for enabling the State to perform its ultimate function, that is to say serving the public interest. Hence, those who think of socialism as a system of self-managed firms are called upon to emphasise the view that, contrary to capitalism, self-management is not a system which prioritises the interests of one class over those of another.