

# Marx, Marxism and the cooperative movement

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This paper has a dual aim: first, to draw attention to a number of passages in which Marx explicitly extolled the cooperative movement and thereby confute the wrong but widely held assumption that Marx was inimical to the market and rejected cooperation as a production mode even for the transition period; second, to argue that the continuing neglect of Marxists both of the cooperative movement and of the passages from Marx (and Engels) that present a system of producer cooperatives as a new production mode can be traced back in part to the late emergence of an economic theory of producer cooperatives.

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## 1. Introduction

On several occasions Marx declared himself strongly in favour of cooperative firms, maintaining that their generalised introduction would result in a new production mode. At different times in his life, he even seems to have been confident that cooperatives would eventually supplant capitalistic firms altogether. Lenin also endorsed the cooperative movement and, in a 1923 work (entirely devoted to this subject), he went so far as to equate cooperation with socialism at large. More precisely, besides describing cooperation as an important organisational step in the transition to socialism, he explicitly argued that ‘cooperation is socialism’ (Lenin, 1923). All the same, ever since the time of the Paris Commune the cooperative movement has received little attention from Marxists.

One argument we intend to put forward in our analysis is that this scant attention for the cooperative movement is due at least in part to the kind of cooperative—a firm in which workers are ‘their own capitalists’ (Marx, 1894, p. 571)—that has asserted itself

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in history, because this tends to endorse the view that a system of producer cooperatives is not a genuine form of socialism.

However, modern economic theory has shown that the pure cooperative is Vanek's LMF (see Vanek, 1971A, 1971B), which does not self-finance itself and whose workers can consequently not be correctly described as 'their own capitalists'. And this consideration disproves the arguments of those Marxists who maintain that cooperatives are, by their very nature, an intermediate form in between capitalism and socialism.

But what are the implications of the above reflections? Once we have made it clear that Marx looked upon cooperation as a new production mode superseding capitalism, Marxists fall into at least two distinct groups: those who maintain that in Marxian terms socialism must be identified with a system of self-managed firms and those who equate socialism with a state-planned command economy. About these two groups, it is possible to argue that 'both are aware that it is very difficult to find any consistent chain of authentic evidences indicating Marx's willingness to subscribe to either system' (see Selucky, 1974, p. 49). Furthermore, there is a general consensus that Marx's writings, especially those about the economic system of the future, contain no doctrine, but only fragments (see Balibar, 1993, p. 169) and that, to Marx, methodology was the only thing that mattered. In support of this view, Horvat (1969, p. 90) quotes a passage from Engels (1895) stating that 'all concepts of Marx are not doctrines but methods. They do not provide complete doctrines but starting points for further research and methods for that research.'

With all the caution required by such considerations, we do think it possible to argue that an efficient system of producer cooperatives is a socialist order which may supersede capitalism in full harmony with Marxist thought.

Hence this paper has a dual aim: first, to draw attention to a number of passages in which Marx explicitly extolled the cooperative movement and thereby confute the wrong, but widely held assumption that Marx was inimical to the market and rejected cooperation as a production mode even for the transition period; and secondly, to argue that the continuing neglect by Marxists both of the cooperative movement and of the passages from Marx (and Engels) that present a system of producer cooperatives as a new production mode can be traced back in part to the late emergence of an economic theory of producer cooperatives.

## 2. Marx's approach to producer cooperatives

An excerpt from Marx (1864) runs as follows:

But there was in store a still greater victory of the political economy of labour over the political economy of property. We speak of the co-operative movement, especially of the co-operative factories raised by the unassisted efforts of a few bold 'hands'. The value of these great social experiments cannot be over-rated. By deed, instead of by argument, they have shown that production on a large scale, and in accord with the behest of modern science, may be carried on without the existence of a class of masters employing a class of hands; that to bear fruit, the means of labour need not be monopolised as a means of dominion over, and of extortion against, the labouring man himself; and that, like slave labour, like serf labour, hired labour is but a transitory and inferior form, destined to disappear before associated labour plying its toil with a willing hand, a ready mind, and a joyous heart. (Marx, 1864, p. 11)<sup>1</sup>

<sup>1</sup> The 'Inaugural Address' of 1864 has been described 'as an attempt at theorising a political economy of labour' (see Balibar, 1993).

And in the third volume of *Capital* Marx argues:

With the development of co-operatives on the workers' part, and joint-stock companies on the part of the bourgeoisie, the last pretext for confusing profit of enterprise with the wages of management was removed, and profit came to appear in practice as what is undeniably was in theory, mere surplus-value, value for which no equivalent was paid. (Marx, 1894, pp. 513–14)

These passages are clear evidence of Marx's belief that a system of cooperative firms is not only feasible, but bound to assert itself in history and that it gives rise to a new production mode in which wage labour is swept away and the means of production—what economists term capital—would no longer be used to enslave workers. In such a system, workers would not only cease being exploited; they would feel free and happy to work for firms owned by themselves.

The system of producer cooperatives envisaged by Marx is a market system where workers become 'their own masters' (Mill, 1871, p. 739) and where owners of capital are deprived of decision-making power concerning production activity. This system is 'in accord with the behest of modern science' and, at the same time, efficient—even more efficient than capitalism—because it entails a new production mode arising spontaneously within the older production mode and improving on it.<sup>1</sup>

This thesis is confirmed by other well-known passages from *Capital*, which clearly reveal how Marx looked upon a system based on producer cooperatives as a new production mode superior to that of capitalism. Immediately before the lines quoted below Marx had described joint-stock companies as a first step toward 'the abolition of capitalist private industry', though 'within the capitalist system itself' (Marx, 1894, pp. 570–1) and further, we read:

The co-operative factories run by workers themselves are, within the old form, the first examples of the emergence of a new form, even though they naturally reproduce in all cases, in their present organization, all the defects of the existing system, and must reproduce them. But the opposition between capital and labour is abolished there, even if at first only in the form that the workers in association become their own capitalists, i.e., they use the means of production to valorise their labour. These factories show how, at a certain stage of development of the material forces of production, and of the social forms of production corresponding to them, a new mode of production develops and is formed naturally out of the old' [...] 'Capitalist joint-stock companies as much as cooperative factories should be viewed as transition forms from the capitalist mode of production to the associated one, simply that in one case the opposition is abolished in a negative way, and in the other in a positive way. (Marx, 1894, pp. 571–2)

To understand why Marx emphasised the need to abolish wage labour even in a production system remaining purely mercantile in nature, we have to bear in mind that one main advantage of producer cooperatives (from the perspective of a critic of capitalism) is to realise economic democracy as an essential component of political democracy. As is well known, Marx, Marxists and, generally, critics of existent society think of political democracy as merely formal, since power remains firmly in the hands of capitalists or, in other words, capital is still the economic power holding everything in its sway.

<sup>1</sup> Numerous authors endorse the notion that this new production mode will arise out of capitalism. Among them, let us mention C. Offe, who stresses the structural incompatibility, within capitalist society, of new sub-systems or structural elements which functionally conflict with the logic of capital valorisation (see Offe, 1972, ch. 3).

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Another excerpt from *Capital* relevant in this connection is the following:

Capitalist production has itself brought it about that the work of supervision is readily available quite independent of the ownership of capital. It has therefore become superfluous for this work of supervision to be performed by the capitalist. A musical conductor need in no way be the owner of the instruments in his orchestra, nor does it form part of his function as a conductor that he should have any part in paying the ‘wages’ of the other musicians. Cooperative factories provide the proof that the capitalist has become just as superfluous as a functionary in production as he himself, from his superior vantage-point, finds the large landlord. (Marx, 1894, p. 511)<sup>1</sup>

Here Marx was clearly thinking of a form of market economy in which capitalists would be deprived of their power.<sup>2</sup>

### 3. Cooperatives as a starting point for State planning and the role of the State

In Marxian terms, cooperative production is not an end to itself, but ‘a lever for uprooting the economic foundations upon which rests the existence of classes’ (Marx, 1871, p. 334) and a means of organising the domestic production system in line with an all-inclusive plan. This can be inferred from Marx’s comments on the experience of the Paris ‘Commune’:

The Commune, they exclaim, intends to abolish property, the basis of civilization! Yes, gentlemen, the Commune intended to abolish that class-property which makes the labour of the many the wealth of the few. It aimed at the expropriation of the expropriators. It wanted to make individual property a truth by transforming the means of production, land and capital, now chiefly the means of enslaving and exploiting labour, into mere instruments of free and associated labour [. . .]. But this is Communism, ‘impossible’ Communism! Why, those members of the ruling class who are intelligent enough to perceive the impossibility of continuing the present system—and they are many—have become the obtrusive and full-mouthed apostles of co-operative production. If cooperative production is not to remain a sham and a mare; if it is to supersede the capitalist system; if the united co-operative societies are to regulate national production upon a common plan, thus taking it under their control, and putting an end to the constant anarchy and periodical convulsions which are the fatality of Capitalist production—what else, gentlemen, would it be but Communism, ‘possible’ Communism? (Marx, 1871, p. 335)

In Marx’s view, the Paris Commune ‘supplied the Republic with the basis of really democratic institutions’ and could therefore be looked upon as ‘the political form, at last discovered, under which to work out the economical emancipation of Labour’ (Marx, 1871, p. 334). It brought about ‘the expropriation of expropriators’. And

<sup>1</sup> In *Antidürring* (1878, p. 642), Engels maintained that following the emergence of joint-stock companies and trusts ‘the bourgeoisie demonstrated to be a superfluous class’.

<sup>2</sup> Some Marxists developed an awareness that the main contradiction to be solved in capitalism is not the opposition between plan and market, but the capital-labour opposition, or, in different words, the conflict between a class that wields all power and another whose duty it is to obey passively. To view market relations, not power relations, as the crucial factor—Bettelheim argues—is a gross mistake which diverts attention to minor factors and away from the fundamental point, which is the existence—or absence—of a ‘bourgeois’ class opposing the rise of workers to power (see Bettelheim, 1969B; see, also, among others, Marek, 1982, p. 75). ‘The commodification of outputs under capitalism—we read in Howard and King (2001, p. 794)—was less significant for Marx than the commercialisation of input supplies, and especially of labour services. The reason is straightforward. Without the market extending to factors of production, there can be no general market dependence’ (see, also, Brenner, 1986, as quoted in Howard and King, 2001).

Engels added that 'the Paris Commune demanded that the workers should manage cooperatively the factories closed down by manufacturers' (Engels, 1886, p. 389).

In this connection, Easton (1994, p. 162) has rightly argued that Marx 'sees cooperatives as the economic corollary of the 'really democratic institution' of the Commune' and that 'in his view of the state he sees cooperative production not as a matter of simple negation of the existing capitalist system, but rather as a dialectical transcendence that negates as it preserves'.

In his critique of Bakunin's *Statehood and Anarchy*, Marx himself provided the following explanation of his contention that the proletariat was to organise itself in such a way as to become the dominant class:

It means that the proletariat, instead of fighting individual instances against the economically privileged classes, has gained sufficient strength and organization to use general means of coercion in its struggle against them; but it can only make use of such economic means as abolish its own character as wage labourer and hence as a class; when its victory is complete, its rule too is therefore at an end, since its class character will have [disappeared]. (see Marx, 1875B, p. 519)

This passage illustrates how the proletariat may acquire the strength required to abolish wage labour, but in today's democratic societies, where workers' interests are endorsed by political parties capable of winning the consensus of the majority of the people, there are no reasons to deny that the 'general means of coercion' needed to contrast the economically privileged classes could well be a single Act of Parliament prohibiting wage labour altogether. When asked if private property could be abolished by peaceful means, Engels replied that 'it is to be desired that this could happen, and Communists certainly would be the last to resist it' (Engels, 1847A, p. 349), but he added that such peaceful means were being opposed by the class in power and that the use of violence to deviate progress from the direction in which it was heading was likely to induce the oppressed proletariat to fight a revolution in order to acquire its freedom (Engels, 1847A, pp. 349–50).

The work from which these passages have been taken, namely the *Principles of Communism*, was written at roughly the same time as Marx and Engels' *Manifesto* and Engels explicitly emphasised that differences between the two texts arose from the fact that in the *Manifesto* their shared ideas about the road towards communism had only been expounded to the extent it was thought expedient to make them public (see Engels, 1847A, p. 114, as quoted in Lawler, 1994).

The part democracy can play in fostering the advent of socialism is also suggested in the following excerpt from Engels (1895, pp. 515–16):

The Communist *Manifesto* had already proclaimed the winning of universal suffrage, of democracy, as one of the first and most important tasks of the militant proletariat, and Lassalle had again taken up this point. Now that Bismarck found himself compelled to introduce this franchise as the only means of interesting the mass of the people to his plans, our workers immediately took it in earnest and sent August Bebel to the first, constituent Reichstag. And from that day on, they have used the franchise in a way which has paid them a thousandfold and has served as a model to the workers of all countries.

However, according to our authors, the contention that cooperatives can assert themselves in a capitalistic system thanks to State aid is only applicable to situations in which workers have already attained political power, for neither Marx nor Engels

believed that the State could be expected to help workers in their effort to ‘expropriate expropriators’ in a society in which the bourgeoisie wields power.

In the *Critique of the Gotha Programme* Marx rejects both Lassalle’s idea of the State and his belief that workers’ emancipation should be brought about by a system of state-aided producer cooperatives. Based on the Gotha programme, one means of solving social problems was to demand State aid to fund the establishment of producer cooperatives under the democratic control of the mass of the working people. Marx disagreed on this point by objecting ‘that the workers’ desire to establish the conditions for cooperative production on a social scale, and first of all on a national scale, in their own country, only means that they are working to transform the present conditions of production, and it has nothing in common with the foundation of co-operative societies with state aid’ (Marx, 1875A, pp. 93–4). Otherwise—Marx argued—socialism would be established through State action—in stark contrast with the central idea of scientific socialism that workers will only achieve emancipation through their own efforts. If workers were to require the support of the State for their revolutionary movement, they would thereby only reveal their ‘full consciousness that they neither rule nor are ripe for rule!’ (Marx, 1875A, p. 93).<sup>1</sup>

Accordingly, Marx concludes that ‘as far as the present co-operative societies are concerned, they are of value only insofar as they are the independent creations of workers and not protégés either of the governments or of the bourgeoisie’ (Marx, 1875A, p. 94).

The foregoing reflections suggest the conclusion that, from the perspective of Marx and Engels, a gradual growth of the cooperative movement ‘fostered by national means’ could even come about by peaceful means, though only after workers have acquired a majority of the seats in parliament.<sup>2</sup> The egalitarian implications of such a thesis are evident.

Marx’s pro-cooperation attitude—let us repeat—is to be viewed in the light of his fundamental belief that neither legal relationships nor political organisation systems can be properly understood in their own right, since they have their roots in material production relationships, i.e., in that web of relations that Hegel termed ‘civil society’ (see Marx, 1859, p. 262). As mentioned before, a ‘civil society’ organised as a system of producer cooperatives is one where capital is no longer the economic power holding everything in its sway and where those owning substantial property are prevented from imposing their will upon the rest of the population. The commodities manufactured by democratically managed cooperatives cease to be ‘in the first place an external object’ unrelated to our work (see Marx, 1867, p. 125; Holloway, 2001, p. 66), and turn into the product of free choices made by workers in association.

<sup>1</sup> Elsewhere we are told that the *Programme* ‘shows that its socialist ideas are not even skin-deep, in that, instead of treating existing society . . . as the basis of the existing state . . . , it treats the state rather as an independent entity that possesses its own intellectual, ethical and libertarian bases’ (Marx, 1875A, p. 94).

<sup>2</sup> In the *Manifesto*, we read that the first step in the revolution by the working class is to raise the proletariat to the position of ruling class, to win the battle of democracy (Marx and Engels, 1848, p. 504). And in Engels’ introduction to *The Class Struggle in France* we read: ‘The irony of world history turns everything upside down. We, the ‘revolutionaries’, the ‘overthrowers’, we are thriving far better on legal methods than on illegal methods and overthrow’ (Engels, 1895, p. 522). Consequently, we agree with Sowell (1985, p. 210), according to whom ‘Marx and Engels had envisioned a long mass struggle for power, extending over decades, during which the proletariat would acquire the experience and clarity needed to become a politically effective force in a democratic society’.

Therefore, the question why Marxists and the Left generally continued to give little attention to the cooperative movement still remains to be answered.<sup>1</sup>

#### 4. The dialectic view of transition

In Marxist theory, cooperatives are held to perpetuate some of the main defects of capitalism, in particular the anarchical nature of production and, generally, all the shortcomings of a market economy; but is it possible to think of cooperatives as the typical institutions of the transition to communism?

To shed light on Marx and Engels' notion of transition, we have to contrast a dialectical view of the passage from one form of society to another with a 'nihilistic' stance envisaging the total destruction of the previous social order. The latter view is held by all those maintaining that the rise of the working class to power should be promptly followed by the establishment of a new social order with characteristics diametrically opposed to those that Marx and Engels criticised in capitalism: the division of society into classes, with masters exploiting the working class, and the anarchical nature of production (see Engels, 1882, p. 285). The new social order to be established forthwith after the abolition of capitalism would consequently have to be a classless society with centralised planning: the order that the Soviet Union established following the rise of Stalin to power and which finally collapsed in 1989.

This view of transition, which Lawler described as 'nihilistic', goes back to some of Marx and Engels' own writings, including the *Manifesto of the Communist Party*, where the task assigned to the proletariat following the attainment of power is 'to centralise all instruments of production in the hands of the State' (p. 504).<sup>2</sup>

In *Anti-Dühring*, Engels (1878, pp. 269–70) writes: 'With the seizing of the means of production by society, production of commodities is done away with, and, simultaneously, the mastery of the product over the producer'.<sup>3</sup>

On closer analysis, though, Marx and Engels' idea of transition is a dialectic view in which the way capitalism is negated depends both on what is negated and on the end to be attained.<sup>4</sup> This means that those in power must guarantee the transfer of some traits of the older social order into the new one. In this dialectic view, private property is a step or stage in the evolution of humankind, not a form of cancer that must be eradicated to enable the healthy members of the social organism to assert themselves (Lawler, 1994, p. 188). Far from entailing a regression, socialism must ensure an advancement over capitalism just as it negates it; and with respect to the creation of material wealth, it must ensure levels of growth exceeding those of capitalism, rather than bring about a generalised level of poverty, however egalitarian.

<sup>1</sup> According to Bettelheim (1974, p. 489), the writings of Marx and Engels in which cooperation is assigned 'great importance' have sunk into 'oblivion' (see Bettelheim, 1974, p. 489; see, also, Bukharin, 1982, pp. 102–4, 110–21, 142, 184).

<sup>2</sup> A few passages in which Marx seems to share a 'nihilistic' view of transition can probably be traced to the fact that in his early years Marx was deeply influenced by Feuerbach, who opposed the Hegelian 'negation of the negation' concept in that he equated it with a return to teleology (see MacGregor, 1984, pp. 246–7).

<sup>3</sup> A 'nihilistic' rationale also seems to underlie Gramsci's argument that every revolution 'must necessarily break up and destroy the present social system in its entirety' and that 'nothing can be anticipated' concerning the way this new society will be organised (Gramsci, 1919–20, p. 155).

<sup>4</sup> 'You must never look to the future without an awareness of your aims; nor will you gain an awareness of your aims without a correct appreciation of the reality from which you are starting out' (Mondolfo, 1952, p. 111).

The dialectic approach also necessitates thinking of the transition from the older to the newer social order as an extended period of gradual adjustment, not as a short process in which the salient characteristics of capitalist society are negated at one stroke.<sup>1</sup>

The contrast between these two different views of transition first surfaces in an early work such as the *Economic and Philosophical Manuscripts* of 1844 (pp. 294–5), which describes a coarse and material form of communism aimed ‘to destroy everything which is not capable of being possessed by all as private property’ and to oppose ‘universal private property to private property’. In Marx’s view, ‘this type of Communism—since it negates the personality of man in every sphere—is but the logical expression of private property, which is this negation’ (p. 295). It is born of envy and greed, because ‘the thought of every piece of private property as such is at least turned against wealthier private property in the form of envy and the urge to reduce things to a common level’ (p. 295).<sup>2</sup>

As mentioned above, the *Manifesto* includes reflections and arguments in support of both a nihilistic and a dialectic view of transition. One of the latter reads as follows: ‘the distinguishing feature of Communism is not the abolition of property generally, but the abolition of bourgeois property’ (Marx and Engels, 1848, p. 498). And Marx and Engels made it clear that workers are entitled to the results of their work and that each of them is to be allowed to appropriate what he produces. Hence they argue: ‘Communism deprives no man of the power to appropriate the products of society; all that it does is to deprive him of the power to subjugate the labour of others by means of such appropriation’ (p. 500).

These excerpts are in line with the idea that the overthrow of capitalism coincides with the abolition of hired labour and that, in a new social order born of the ashes of the older world, the importance of producer cooperatives operating within the market springs from the abolition of the very possibility of hiring the wage labour that capitalistic firms use.

An even more significant point is the gradual nature of the process whereby the old society will give way to the new social order—a notion set forth in numerous passages of the *Manifesto* including the following: ‘The proletariat will use its political

<sup>1</sup> The fact that Marx himself acknowledged his constant debt to dialectical thinking is confirmed by his own words in a letter written to Kugelmann on 6 March 1868: ‘Hegel’s dialectic is the basic form of all dialectic, but only after being stripped of its mystic form, and it is precisely this which distinguishes my method’ (Marx, 1868, p. 544). Dissenting from this view, Schumpeter argued that, while Marx’s Hegelianism was certainly reflected in all his writings, it was a mistake to ‘make it the master key to the system’, for this meant ‘to make a mistake and an injustice to Marx’s scientific powers’. In his opinion, Marx ‘enjoyed certain formal analogies which may be found between his and Hegel’s argument’, but ‘this is all’ (see Schumpeter, 1954, pp. 9–10). Also Rosenthal (1998) has recently argued that dialectic will nowhere help understand Marx. In contrast, based on the *Grundrisse*, we are inclined to endorse Rosdolsky’s argument that no academic critic should as much as approach Marx’s economic work without a preliminary study of his method and its relationship with Hegel’s because ‘if Hegel’s influence on Marx’s *Capital* can be seen explicitly only in a few footnotes, the *Rough Draft* must be designated as a massive reference to Hegel, in particular to his *Logic*’ (Rosdolsky, 1971, p. xiii). Nonetheless Marx’s dialectic is by no means Hegel’s (see Croce, 1899, pp. 4–9, Hyppolite, 1969, pp. 300–3 and Garaudy, 1969, pp. 312–14). On the role of dialectic in Marx, see also, dal Pra, 1972; MacGregor, 1984, ch. 8; Fine, 2001.

<sup>2</sup> The criticisms against this course and material form of Communism are those levied in an early writing by Gobetti: ‘the means whereby Bolsheviks intend to translate this conception into action are, in essence, political, which means they reverse the traditional Marxian dependence of politics on economics and, by negating the evolutionary essence of Marxism out of sheer violence, they end up by generating an even more degenerated and harmful version thereof’ (Gobetti, 1929, pp. 141–2).

supremacy to wrest, *by degrees*, all capital from the bourgeoisie, to centralise all instruments of production in the hands of the State' (p. 504).

The stepwise nature of this process is also emphasised in Marx and Engels' programme for the period immediately after the rise of the working class to power. Among others, this programme includes the following measures (p. 505):

- the abolition of property in land;
- a heavy progressive income tax;
- the abolition of all rights of inheritance;
- the confiscation of property owned by rebels and emigrants;
- the concentration of credit and transport in the hands of the State;
- the nationalisation of an increasing number of firms.

The fact that Marx and Engels did not think of transformation as the instantaneous nationalisation of all means of production and the simultaneous launch of an all-comprehensive centralised plan emerges even more clearly from *Principles of Communism*. There Engels argued that once in power, workers would create 'a democratic constitution' and that 'democracy would be quite useless to the proletariat if it were not immediately used as a means of carrying through further measures'—progressive income taxes, heavy inheritance and legacy taxes and the gradual expropriation of owners of land, buildings, railways and vessels, in part due to the competition of State industry and in part directly, against payment of compensation (Engels, 1847A, pp. 350–1).

As Engels had just argued that private property was to be abolished 'only gradually' (Engels, 1847A, p. 350), the above passage makes it clear that this gradual process was to be fuelled both by the 'spontaneous' mechanism of competition and by compensation payments by the State—in short, without recourse to revolutionary violence.<sup>1</sup>

Nonetheless Marx sees it as natural, even inevitable, that upon seizing power workers oppressed by capitalism will embrace the nihilistic view of transition (see Marx, 1844, pp. 204–95; Lawler, 1994, p. 189).

On the subject of the nihilistic view to the transition, let us add that while Marx and Engels certainly conceived of the plan as an antidote to the anarchical nature of the capitalistic market, they were thinking of a plan for abolishing the production of commodities and so not based on the law of value; in other words, they conceived of the dialectic market-plan opposition as an example of the conflict between necessity and freedom. In their view, therefore, the opposite of the capitalist market was not the socialist plan, which remains the realm of necessity, but the plan of a Communist society, because 'the realm of freedom really begins only where labour determined by necessity and external expediency ends; it lies, by its very nature, beyond the sphere of material production proper' (see Marx, 1894, pp. 958–9; see also Engels, 1878, pp. 266–71; Marx and Engels, 1845–6, pp. 51–2 and 81).

The arguments set forth in this paragraph should have provided sufficient evidence that a system of cooperatives is hardly objectionable in Marxian terms. Being a market

<sup>1</sup> Nowhere in the works of Marx or Engels are there elements in support of the argument of Marcuse (1969) and others that only a very short transition period will prevent the process from degenerating into repression. By contrast, given the long period of time needed to break up the market relations established in a socialist economy, most Marxists have rather endorsed the view that this transition period should be fairly long (see, among others, Baran and Sweezy, 1966, pp. 336–7; Sweezy, 1969; Bettelheim, 1969A, ch. III; 1969B).

economy, from a Marxian perspective it must rather be looked upon as a transitional economic system.

### 5. The logic behind Marxist criticisms of cooperatives

As cooperatives cannot be blamed for failing to do away with the market instantly, on what grounds did Marxists resolve not to rely on them for the transition to communism?

One reason behind the scant attention given by Marxists to the cooperative movement to this day is the fact that Marx himself ceased to concern himself with cooperative firms following the collapse of the Paris Commune. And this may in turn be explained by the difficulties experienced by the cooperative movement from the 1870s onward (see Bernstein, 1899, pp. 149–52). As is well known, Marxism has always been held to be a form of ‘scientific socialism’, a movement which in lieu of simply ‘preaching’ the advent of communism, theorises it as an inescapable event;<sup>1</sup> and an unsuccessful movement will hardly be rated a proper vehicle for the establishment of communism. The cooperative production mode—Kautsky wrote—may only arise in a sparse and incomplete manner, without ever asserting itself as the dominant form (Kautsky, 1892, p. 109).

In the early 20th century a well-known Italian Marxist endorsed much the same opinion when he argued that for some time Marx showed confidence in the cooperative firms that workers in association were running as ‘their own capitalists’, but that later on he lost such confidence; and he ascribed this loss of confidence to the collapse of many producer cooperatives between 1860 and 1870 and to Marx’s own reappraisal of the very nature of the transition stage (see Leone, 1902, p. 287).

Thus it is possible, though not certain, that Marx lost faith in the cooperative movement.

More convincing is the argument that the scant attention paid by Marxists to the cooperative movement after a given point in time was the result of Kautsky’s and Lassalle’s turn to statism. Marxists increasingly equated socialism with the nationalisation of production means and when, following the Bolshevik revolution, a choice was to be made between State enterprises and cooperative firms, they systematically gave priority to the former over the latter (see, for all this, Preobrazhensky, 1926, pp. 17, 218ff. and 238ff.).

Still another explanation of the criticisms levelled by Marxists against cooperation may be suggested by the following excerpt from the *Manifesto of the Communist Party* (1848, p. 513):

We may cite Proudhon’s *Philosophie de la misère* as an example of this form. The Socialistic bourgeois want all the advantages of modern social conditions without the struggles and dangers necessarily resulting therefrom. They desire the existing state of society minus its revolutionary and disintegrating elements. They wish for a bourgeoisie without a proletariat. The bourgeoisie naturally conceives the world in which it is supreme to be the best; and

<sup>1</sup> In Kautsky’s view, in scientific socialism the emergence of a socialist order is looked upon as inescapable because both class struggle and the victory of the proletariat are inevitable (Kautsky, 1907, p. 202). However, although Tucker argued (in the *Introduction* to his 1961 book) that this view could no longer be held following the publication of the *Economic and Philosophical Manuscripts* in Russian (1927) and German (1932), the approach to Marxism as a view of the world in which socialism is inevitable is still far prevailing.

bourgeois Socialism develops this comfortable conception into various more or less complete systems.

These lines may justify the doubt that Marx and Engels thought of a system of producer cooperatives as a 'conservative or bourgeois form of Socialism'. However, restricting our analysis to this passage for the moment, is it possible to argue that a system of producer cooperatives is a society with 'a bourgeoisie without a proletariat' or with a proletariat and no bourgeoisie? Or, can this passage from the *Manifesto* be read as a criticism of producer cooperatives? Clearly, so long as we think of bourgeois society as a system characterised by capitalist production relations and dominated by the owners of the means of production who subjugate the class of proletarians<sup>1</sup> and picture to themselves the world in which they are supreme as one bound to last forever, these questions will have to be answered in the negative.<sup>2</sup>

Nonetheless, Beatrice Webb, Rodbertus and Bernstein spelt out in bold letters that cooperation can at most be equated with a middle way between capitalism and socialism, not with socialism proper (see Potter, 1893; Bernstein, 1899, pp. 154–5).

In our opinion, the late formulation of an economic theory of cooperation may be one further explanation of the scant attention paid by Marxists to cooperative firms. Ward's analysis, which was published in 1958, is the very first economic theorisation of producer cooperatives. Thus there is every reason to believe that existing cooperatives have not been organised in line with criteria of economic efficiency and that the late emergence of an economic theory of producer cooperatives may be at least in part responsible for the scant success of the cooperative movement (see Vanek, 1971A, 1971B).

Discussing the distinction between WMFs and LMFs and the factors which determine that WMFs (unlike LMFs) are doomed to fail by their very nature (see below), Vanek argued (1971B, p. 187):

In my opinion, [...] the arguments presented hereafter are so powerful in explaining the shortcomings of traditional or conventional forms of producer cooperatives and participatory firms that they offer an ample explanation of the comparative failures of these forms in history ever since they were first conceived of by the writers of the eighteenth and nineteenth centuries. The development of this analysis was to me personally most gratifying. It had always puzzled me how it could have been possible that a productive organization based on cooperation, harmony of interests and the brotherhood of men, so appealing and desirable on moral and philosophical grounds, could have done so poorly when subjected to a practical test. It seems to be that we now have both an explanation and a way of remedy.

But there is more to this, for the late appearance of an economic theory of cooperation also points to ideological causes behind the scant interest of Marxists in the cooperative movement.

Defining cooperatives in his own (and Marx's) time in an 1865 work and discussing the distinctions made by economists between the main sources of wealth, land, capital and labour, Walras argued that individuals tend to accumulate ever greater quantities of all three types of wealth until, in due time, they gradually become owners of land,

<sup>1</sup> The bourgeoisie is 'the class of the big capitalists, who in all advanced countries are in almost exclusive possession of the means of subsistence' (Engels, 1847B, p. 100).

<sup>2</sup> In a recent, excellent book Screpanti has extensively discussed his thesis that 'the basic capitalistic institution is the contract of employment' (see Screpanti, 2001, p. 258). If his theory holds true, a system of producer cooperatives has nothing to do with capitalism. See, also, Screpanti (2002).

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capital and labour. Carrying his point to extremes, Walras went so far as to describe economic progress as the road towards a fuller access of individuals to all categories of wealth and, in particular, of workers to the ownership of capital (Walras, 1865, p. 14).

Accordingly he ascribed to cooperatives two distinctive elements:

- (a) in terms of scope, a tendency towards creating venture capital which is indivisible because owned by all the members, and
- (b) in terms of the source of such resources, the fact that this venture capital is formed of wage deductions. (see Walras, 1865, pp. 5–6)

Based on the above, Walras maintained that the essence of cooperation could succinctly be described as a means of enabling workers to acquire capital through saving (Walras, 1865, p. 7).

Walras's analysis sheds light on the causes of the scant concern of Marxists with cooperation. As he theorised the approach to cooperation in his own and Marx's time better than any other, his arguments may both explain Marx's description of cooperatives as firms in which workers were 'their own capitalists' and why Marxists gradually adopted the view that a system of cooperatives would result in a sort of 'producer capitalism'. And there is little doubt that, in so far as a system of cooperatives is a form of capitalism, it may not be worthwhile fighting over it.

This provides an opportunity to stress how the contribution recently made by economists to the theory of cooperation may help disprove the criticisms of Marxists. Following the appearance of Ward's 1958 article, economists drew a distinction between two different types of cooperatives, WMFs and LMFs. The former, which are widespread in the Western world, self-finance themselves and consequently do not strictly separate labour incomes from capital incomes; their members earn mixed incomes (from capital and work), in place of pure incomes from work. By contrast, LMFs are cooperatives which fund themselves with loan capital and consequently draw a clear-cut distinction between incomes from work and incomes from capital or property. And Vanek and others have produced in-depth analyses of the reasons—in the first place the need to avert underinvestment—why cooperatives should be of the LMF type.

For the purposes of this paper, the above distinction is decisive. If we describe the LMF as the 'ideal type' of producer cooperative, we are also in a position to show that cooperatives are truly socialist firms. As is well known, there are three 'factors of production': land, capital and labour. Excluding land, which gradually lost importance following the Industrial Revolution, a firm setting out to operate in the market may choose between two organisational options: management by the owners of capital (or their representatives) or management by the workers themselves (or their representatives). In the former case, it is a capitalistic firm and, in the latter case, it is a real and proper socialist firm.

More precisely, if the cooperative is the LMF type, the opposition between these two forms of business enterprise can be expressed as follows:

- in the capitalistic firm, it is the owners of capital or their representatives that hire workers, pay them a fixed income (wage) and appropriate all profits;
- in a cooperative firm, it is the workers (or their representatives) that borrow capital, pay fixed income (interest) thereon and appropriate the residual.

Thus, the producer cooperatives theorised by economists are not only non-capitalistic firms, but socialist firms proper, since compared with their capitalistic counterparts they effectively reverse the capital–labour relationship.<sup>1</sup> And this clearly entails that in genuine Marxian terms a system of cooperative firms would afford a major advance over capitalism within a market economy.<sup>2</sup>

In the light of this clarification, the excerpts when Marx enthusiastically anticipates the advent of a system of cooperatives will immediately appear in their correct perspective.

## 6. Conclusions

As late as 1886, Engels wrote (p. 389): ‘My proposal envisages the introduction of cooperatives into existing production [...] just as the Paris Commune demanded that the workers should manage cooperatively the factories closed down by the manufacturers’; and just a few lines below he added that neither Marx nor he himself had ‘ever doubted that, in the course of the transition to a wholly communist economy, widespread use would have to be made of cooperative management as an intermediate stage’. Like others quoted above, these passages lead us to endorse the conclusion of Brachet, one of the earliest writers to have focused attention on Marx’s opinions on self-management: ‘those holding socialism to be a system where workers self-manage the production and distribution apparatuses are perfectly in tune with Marxian thought on this point’ (see Brachet, 1975, p. 303; see, also, among others, Damjanovic, 1962; Bourdet, 1974, p. 49ff.; Selucky, 1974; Pelikan, 1977, p. 143ff.; Schweickart, 1992; Lawler, 1998; for a different opinion, see, *inter alia*, Ollman, 1998, pp. 113–18).

At this point it is worth asking ourselves whether we have adequately accounted for the scant enthusiasm of Marxists for the cooperative movement. As mentioned above, in our opinion an important reason for this neglect is that existing cooperatives fit into the self-financing type (WMFs) in which workers are ‘their own capitalists’, because this corroborates the approaches of Beatrice Webb, Rodbertus and Bernstein, according to whom cooperatives are, by their very nature, an intermediate form between the capitalistic and the socialistic firm and do consequently not deserve being stoutly upheld by Marxists. Yet recent economic theorisations on producer cooperatives have cut these criticisms at the root. As Vanek has argued more cogently than any others, the moment when cooperatives are prevented from self-financing themselves (i.e., provided they are organised as LMFs rather than WMFs), the description of producer cooperatives as firms run by workers as ‘their own capitalists’ will no longer apply. And as the LMF reverses the capitalistic relationship between capital and labour, it can without doubt be rated a genuine socialist enterprise in which workers cease acting as their own capitalists.

In conclusion, we wish to mention that this paper is not intended to provide evidence that Marx consistently and continually thought of a system of cooperative firms as the best way out of capitalism. Such a purpose, which would need the support of a historical analysis of Marx’s thought, lies outside the scope of this essay, whose

<sup>1</sup> This subject is addressed in greater detail in Jossa and Cuomo (1997, pp. 144–6).

<sup>2</sup> Concerning worker control, E. Mandel argued that ‘workers’ control is a transitional demand, an anticapitalist structural reform par excellence’ (Mandel, 1968–9, p. 345).

concern is neither with the history of thought nor with the historical evolution of the socialist movement. Rather, what we set out to show was that, following Vanek's contribution, a system of producer cooperatives is fully consistent with Marxist thought and can no longer be viewed as a disguised form of capitalism.

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