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Savez republičkih i pokrajinskih samoupravnih interesnih zajednica za naučne delatnosti SFRJ učestvuje u troškovima izdavanja ovog časopisa.

CONTEMPORARY CAPITALIST SOCIETIES AND TRANSITION TO WORKERS' MANAGEMENT

SAVREMENA KAPITALISTIČKA DRUŠTVA I PRELAZ NA SAMOUPRAVLJANJE

CAPITALISM

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Capitalism has been with us for several centuries now. Thus, it may be assumed that its manifestations are well known, and we can take a shortcut by approaching our problem somewhat schematically.

As Marx made clear, the development of productive forces and the antagonistic class relationships represented basic dynamic elements in social development. When the productive force outgrows the old system of productive relationships — social relationships among people participating in production — the conflict must be resolved by transforming the latter into a new and compatible social system. In the pioneering countries, the conflict is usually resolved by revolutions which change the class structure of the society.

(a) *Bourgeois Revolutions and the Process of Political Liberalization*

The best-known and most important bourgeois revolution is undoubtedly the French Revolution. This revolution was not intended to bring about small improvements in the society as compared with the feudal order; it had to achieve nothing less than the emancipation of the human race. It was fought under the triple banner of *liberté, égalité* and *fraternité*. It was believed that all that had to be done to achieve these imposing goals was to smash the feudal barriers in order to make possible the free initiative of individuals, equal before the law, which was to be protected by a representative government.¹⁾ As a result, liberty, equality and brotherhood would follow as a matter of course.

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¹⁾ A century and a half earlier, similar ideas were propounded by Levellers and Diggers in the first successful bourgeois revolution, the English Revolution in the seventeenth century. Levellers fought for general suffrage, freedom of conscience, and equality before the law. Diggers or True Levellers tried to eliminate economic inequality, pointing out that political democracy could not exist without economic democracy. Diggers influenced the thinking of Robert Owen, the first associationist and a utopian predecessor of modern socialism.

Based on eighteenth century political theory, the celebrated *Declaration of the Rights of Man*, issued by the French Revolutionary Assembly in 1789 and incorporated in the Revolutionary Constitution of 1793, states that "men are born free and equal in respect of their natural and imprescriptible rights of liberty, property, security and resistance to oppression".²⁾ Clause Four defines liberty as consisting "in being able or empowered to do anything that is not harmful to others". In general, the exercise of the natural rights of each man has no other limits than those which ensure the other members of the society the enjoyment of the same right. These limits can be determined only by the law which ought to be the same for all (Clause 5).³⁾

One notes that equality is not quoted as one of the imprescriptible rights. Men are only equal in rights and before the law. Abbé Sieyès, one of the drafters of the *Declaration*, proposed two articles which would make clear that there was no liberty if privileges subsisted but that equality was to be applied to rights and not to means.⁴⁾ The Constituent Assembly was in complete agreement on that point, but for some reason did not accept the proposal. It thus failed to make explicit what the bourgeois equality was meant to imply from the very beginning.

It also becomes apparent that the goals of the French bourgeois revolution were negatively defined — freedom from, not freedom for — without the participants having been aware of that. It was somehow assumed that a formally free man will be able to make full use of his freedom to his own benefit. Such negatively-defined liberalism — which was to become synonymous with bourgeois liberalism — far from automatically producing equality and brotherhood, tended to destroy them.⁵⁾

Political freedom will become an enormous advance compared with feudalism. Yet, it will be used — and misused — by the powerful, not by everybody. At first, it almost entirely represented a proclamation and a request, rather than a realization. Development was remarkably slow. The French Republican Constitution of 1893 was left unimplemented. The American Constitutional Convention of 1787 left qualifications for voting up to the States, and it was only in the middle of the nineteenth century that manhood suffrage was introduced throughout the country. Women were suffered to vote after the First World War. Full voting rights without discrimination for anybody, including Negroes, were established in the United States only within the last decade. Thus, in this

²⁾ Similarly, though somewhat less precisely, in the American Declaration of Independence (1776) it is said that all men are created equal and endowed by their Creator with certain inalienable rights such as Life, Liberty and the Pursuit of Happiness.

³⁾ Cf. G. D. H. Cole, *Essays in Social Theory*, Macmillan, London 1950, pp. 132—44.

⁴⁾ G. Lefebvre, *The Coming of the French Revolution*, (1939), translated by R. R. Palmer, Vintage books, New York 1962, p. 248.

⁵⁾ A century later this awareness was already very much present. In a proclamation made in August 1914, the peasant leaders around Emiliano Zapata in the Mexican Revolution accused their bourgeois partners of intentions to introduce "freedom of the press for those who do not know how to write, the freedom to vote for those who do not know the candidates, and the correct administration for those who will never make use of lawyers' services".

respect it took about two centuries to apply the proclamation of political liberties of the American Declaration of Independence.

It is both instructive and illuminating to observe how slow and gradual the process of political democratization was in England. The demand for manhood suffrage was made for the first time during the revolution, in the 1640s, by a group of soldiers and civilians known as Levellers. The Levellers failed. Slightly less than two centuries later, in 1832, riots and demonstrations swept the country. Under popular pressure, the middle class scored a political victory: the Reform Bill of 1832 established voting rights for property owners. At that time, members of Parliament were completely subservient to the great aristocratic landowners who, as one writer remarked, did not even have to issue instructions, so assiduously did "their" members study their every wish before each vote in Parliament. The ten-year long Chartist agitation for the extension of voting rights was defeated in 1848. Two decades later, in 1867, most of the skilled workers in towns were enfranchised, and in 1885 voting rights were extended to rural workers. In 1911, the House of Lords lost veto power, but it retained a considerable delaying power until 1948. It was only in 1918 that women were enfranchised, and even then only those over 30 years of age (!). This restriction was lifted in 1928. In 1945, double votes for property holders and university graduates were abolished. The right to vote at the age of 18 came into operation only in 1966. The House of Lords and Monarchy still exist. According to the investigations of Laski⁶⁾ and Nightingale⁷⁾, not more than about 1,000 families had ruled British society, holding the leading positions in it until about the end of the laissez-faire phase of capitalist development. Commenting on that, Karl Mannheim concludes: "Sociologically speaking, England has been a political democracy run by an oligarchy which has gradually expanded its basis of selection".⁸⁾

Although the gradualness was less elaborate, the pattern of political liberalization was similar in other countries. In most of Europe, the labour unions had to fight for suffrage. By the end of the nineteenth century, more than a century after the French and American bourgeois revolutions and over two centuries after the English revolution, universal suffrage existed in no country in the world and manhood suffrage was established in only a handful. If we define conventional democracy as male suffrage, secret ballot and responsible government, it is hardly one

⁶⁾ H. J. Laski, *The British Cabinet. A Study of its Personnel*, Fabian Tract No. 223, London 1928.

⁷⁾ R. T. Nightingale, *The Personnel of the British Foreign Office and Diplomatic Service, 1851—1929*, Fabian Tract No. 232, London 1930.

⁸⁾ K. Mannheim, *Freedom, Power and Democratic Planning*, Oxford University Press, New York, 1950, p. 99.

century old.⁹⁾ If we insist on female suffrage — as we should — this is even younger. Women acquired voting rights in some of the developed bourgeois countries only after the First World War¹⁰⁾, in France, Belgium and Italy after the Second World War, and in Switzerland in 1971! And yet, the right to vote represents just one necessary, and by no means sufficient, condition for a meaningful democracy. Even when most successful, bourgeois democracy came to mean that political life is dominated by political parties, and political parties are dominated by party machineries and their bosses. The ordinary citizen has the privilege of choosing every three, four, or five years the least undesirable political bosses preselected for him by the ruling strata of the society. Bourgeois democracy is a political system which transforms the *formal* will of the majority into the *actual* will of the *minority*.¹¹⁾

Equality before the law, with which the bourgeois development really started, was also an enormous advance compared with the arbitrary administration of justice in feudal times. In fact, it represented an indispensable foundation on which political freedom was to be built. Yet it soon became apparent that rich and poor were not quite equally treated in the courts. The former come from the same class as the judge, share with the judge the same values and prejudices, and are able to buy high-quality legal defense. "The bourgeois society" — comments Lj.

⁹⁾ Ten Countries with the Longest History of Political Democracy:

	Universal Male Suffrage	Secret Ballot	Responsible Government	Years of Conventional Democracy by 1979
Switzerland	1848	1872	1848	107
New Zealand	1879	1870	1856	100
Australia	1858	1859	1892	87
Canada	1898	1874	1867	81
Norway	1898	1884	1884	77*
United States	(1870)	1904	1789	75
France	1848	1913	1875	62*
Sweden	1908	1866	1917	62
Finland	1907	1907	1917	62
United Kingdom	1918	1872	1832	61

* Democracy suspended during 1940—44.

Source: Ch. Hewitt, "The Effect of Political Democracy etc.", *American Soc. Review*, 1977, 450—63, p. 457.

¹⁰⁾ In 1900, women were permitted to vote only in the settler nations: New Zealand (since 1893), South Australia (since 1895), and four States in the U.S.A.

¹¹⁾ N. Pašić, *Uopredni politički sistemi*, IPS, Beograd, 1976, p. 93.

Tadić — "actually recognizes only the private owners as members with full rights though formally it proclaims general equality".¹²⁾

A special case of legal equality is market equality. Here employers and employees, the rich and poor, are clearly in a very unequal position. "The law in its majestic equality" — runs the famous summary of the bourgeois equality by Anatole France — "forbids the rich as well as the poor to sleep under the bridges, to beg in streets and to steal bread". Throughout the nineteenth century, the accumulation of wealth on the one side was accompanied by the accumulation of misery on the other. In England, where the industrial revolution occurred first, real wages remained stagnant — and were even falling — in the first half of the nineteenth century, in spite of economic development and productivity growth. That, of course, implied a disproportionate growth of profits and private wealth. At the beginning of the century, the working day was as long as fifteen hours; twelve hours for children. The recurring unemployment was enormous: up to 33 per cent for steelworkers, up to 50 per cent for textile workers.¹³⁾ Slums and ghettos, undernourishment and outright hunger, diseases and high mortality, the appalling squalor and wretchedness of a large section of the population in the cities — were the proletarian side of capitalist industrialization, so vividly described by young Engels¹⁴⁾ around the middle of the century and by Marx in the historical chapters of *Das Kapital*.

In spite of the doctrine of inalienable rights, the working class had no political parties because workers did not enjoy even the most elementary political right, that of voting. Periodical dissatisfactions were suppressed by the police and the army. Workers could not establish trade unions because all forms of working-class combinations were treated in England and elsewhere as criminal conspiracies. The French bourge-

¹²⁾ Lj. Tadić, *Tradicija i revolucija*, Srpska književna zadruga, Beograd 1972, p. 244. Harold Laski describes English judicial practice, in many respects the most advanced in the capitalist world, as follows: "There is one law for the rich and another for the poor whenever the preparation of a defence is an item of importance in the case. Nor is that all. In the personal relations of life, as in divorce, for instance, lack of means generally implies lack of access to the courts.... Another region of inequality is notable. If a poor person steals, conviction follows rapidly; if a rich person steals, he is usually bound over on the plea of nervous trouble. If a taxi-driver is proved to have been drunk in charge of a car, he pays the penalty; but at his notorious that magistrates do not like to convict the rich young man in a similar position, since he will usually appeal and often get his case reversed on appeal.... If directors of a company in high social position pay no attention to the affairs of the company, they are not held responsible when it is compulsorily liquidated; but if a petty official is confused in his accounts, charges of embezzlement are difficult to avoid". It is important to realize that these defects *cannot* be remedied by legislation. They are *socially* conditioned: "A magistrate who sees guilt in a poor thief, but nervous disease in a rich one, will continue to make the distinction until differences of economic status are negligible; a judge who does not believe that distinguished directors of public companies ought to be responsible for a negligence they are paid to prevent, will only find them responsible when there is a genuine relation between income and service". *A Grammar of Politics*, Allen and Unwin, London, 1928, p. 565.

¹³⁾ F. Sternberg, *Socijalizam i kapitalizam pred sudom svetske javnosti*, Jugoslavija, Beograd, 1954, p. 31.

¹⁴⁾ F. Engels, *Die Lage der arbeitenden Klasse in England*, Leipzig 1845.

ois revolution was in full swing when, in June of 1791, the National Assembly passed the Chapelier Law which rendered illegal workers' organizations and gatherings "directed against the free exercise of industry". More specifically: "... workers and journeymen in any art or craft may not... make decisions or draw up any regulations concerning what they claim are their common interests...". In the parliamentary debate, Chapelier took pains to prevent possible misunderstandings: "None of us intend to prevent the merchants from discussing their common interests."¹⁵ A few years later, England introduced legislation (1797 Act Against Unlawful Oaths and 1799 Combination Act) which made offenders liable to seven years transportation. Similar conspiracy and combination laws were enacted in almost every Western European country. Article 415 of the Belgian penal code declared trade union action punishable by two to ten years in jail. In case of dispute between the master and the worker, the employer was accepted at his word while the worker was obliged to produce evidence in support of his testimony.¹⁶

Until 1883, every Belgian worker was required by law to possess a workbook which was held by the employer and could be annotated by him. New employment could not be obtained without producing the workbook. In France, the workbook requirement was abolished in 1890.¹⁷ This oppressive regime was first relaxed in England in 1824—25, when combination was made lawful, but its exercise was hemmed by many legal restrictions. When, however, eight years later Owenite unionism really began to matter, the employers and the government moved in concert and destroyed it. Laws against strikes were repealed in France in 1863, in the Netherlands in 1872. In the United States, worker combinations were treated as conspiracies until almost the middle of the nineteenth century. It is only since 1871 in England, and since 1884 in France and even later in other countries, that trade unions were legalized and workers were granted freedom of industrial organization. In the United States, unions were finally accepted by the employers in the late 1930s, in France after the Second World War.

Lest the reader be left with an impression that brutal and unscrupulous class exploitation belongs only to the last century, I have to point out that it survived the initial stages of industrialization and that it is still with us. It was as late as 1918 that the American Supreme Court ruled that the Congressional restrictions of child labour to eight hours a day were unconstitutional. Economic historian Alexander Gerschenkron tells the following story about the imperial city of Vienna — and the same was true for Germany as well — at the beginning of this century:

¹⁵ A.F.K. Organski, *The Stages of Political Development*, Knops, New York, 1965, p. 7.

¹⁶ This not very different from mediaeval Russian judiciary practice, as exemplified by the famous case of the Estonian Jean the Miller who tried to sue his landowner in 1740. The College of Justice in St. Petersburg ruled that peasants did not have right to sue their masters.

¹⁷ In our century, workbooks reappeared in Stalinist Russia.

"... the existence of large and rapidly growing working-class districts meant virtual separation in schools of workers' children from those of the middle class. Workers were precluded from entering certain paths which were reserved for those higher up on the social ladder... The first car on Viennese tramways was regularly used by the better-dressed public, whereas workers took their seats in the second and third cars, a practice which to some extent survived even the revolutionary upheavals of 1918.... This was indeed a situation of profound alienation of the worker... Its basis was a combination of discriminatory legislation (e.g. on labour contracts), administrative measures, judicial practices and social taboos".¹⁸)

The worst features of class exploitation are now reproduced in many less-developed countries throughout the world.

The continuous growth of productivity and the pressures of working-class political and professional organizations have gradually led to important improvements and so today, in the most advanced countries, the horrors of the early accumulation of capital belong more or less to the past. However, even in the most developed capitalist countries the distribution of income is still very inegalitarian, while the distribution of property is particularly unequal. For instance, in 1960 in the United Kingdom 5 percent of the population owned 75 per cent of personal wealth and received 92 per cent of all property income.¹⁹) Concerning the operation of the system, it is perhaps more amusing than important to point out that British rich classes own more wealth than their nation has created so far! Namely, apart from tangible wealth, they also own the national debt.

Once equality was destroyed, liberty lost much of its meaning and brotherhood, of course, disappeared. The latter was clearly not an inalienable right that could be included in a constitution. In the bourgeois world there is still a lot of talk about freedom — we have constantly been brainwashed about the free world — much less about equality, and almost none at all about brotherhood. Even to apologetically-inclined individuals, it must sound somewhat absurd to associate brotherhood with capitalist market competition.²⁰) And this ought not to be surprising. The three ideals were proclaimed by the Revolution, not by the victorious bourgeois class. The bourgeoisie believed in private property, free market and family inheritance. The three ideals of the French Revolution can still be found together (strange symbolism) inscribed in the coins of the state of France.

¹⁸) A. Gerschenkron, "Reflections on European Socialism", in G. Grossman, ed., *Essays in Socialism and Planning in Honour of Carl Landauer*, Prentice-Hall, 1970, p. 6.

¹⁹) L. E. Meade, *Efficiency, Equality and the Ownership of Property*, Allen and Unwin, London 1969, p. 27.

²⁰) It is instructive to recall that Darwin got the inspiration for his theory of natural selection among animals from the economic theory of Malthus, an economist of liberal capitalism.

(b) Expropriation of Independent Producers and Economic Power

It is now well known that capitalist development leads to the concentration of capital, employment and power. It is somewhat less known that it leads to an almost complete destruction of individual economic freedom, to the massive expropriation of private producers. An illustration is provided in Table 1.1.

TABLE 1.1. Structure of Employment in England and Wales

	Late seventeenth century	1921
Employers	14	4
Employees	34	90
Independents	52	6

Source: W. F. Oakeshott, *Commerce and Society*, Clarendon Press, Oxford 1936, p. 215.

At the beginning of industrial capitalist development in England, the majority of the population were their own bosses. By the end of the liberal capitalist development close to 90 per cent (if managers and top officials are excluded) of the working force had to sell their labour power to employers, private and state. Elsewhere, this process developed with a time lag, but the final result was the same.²¹⁾

The process of proletarianization just described is an outcome of capitalist accumulation. The simple figures in the table mask an unending sequence of countless human tragedies, thwarted expectations, frustrated desires, destroyed homes. The capitalist system works like a gigantic iron hand crushing the independent, disciplining the deviant, exploiting the weak, forcing everybody to submit to the logic of capitalist accumulation. The free play of market forces in competitive capitalism leads to gradual concentration (growth through accumulation) and centralization (mergers) of production. Independent producers disappear. And so do the small firms — or they grow. The size of an average firm constantly increases. The bigger the firm the more viable it is, for at least three reasons: (1) the first reason is technological, a large firm reaps economies of large-scale production; the other two are related to market control, (2) a large firm can control its sources of supply

²¹⁾ The Proletarianization of the U.S. Labour Force (percentages).

	1780	1920	1969
Wage and salary employees (excluding managers and officials)	20.0	73.9	83.6
Salaried managers and officials	—	2.6	7.2
Entrepreneurs and self-employed	80.0	23.5	9.2

R. C. Edwards, M. Reich, T. E. Weisskopf, *The Capitalist System*, Prentice-Hall, Englewood Cliffs, 1972, p. 175.

and can influence demand for its products; (3) it is financially stronger and so less dependent; in particular, it commands the necessary resources to engage in costly research and development. It is really (2) and (3), not superior productivity due to (1), which explain the cancelous growth of large firms.²²⁾ Because of (2) and (3), a large firm can exert pressure on its weaker partners and can manipulate the terms of buying and selling in its own favour. Such market control implies that risks are minimized and that large firms are able to survive the periodic slumps. In the upswings, on the other hand, mergers and other forms of combination prove profitable. Large firms increase their share in the market in three different ways: by internal growth, by merger²³⁾, and by competitive elimination of weaker rivals. They also combine to establish trade associations, cartels and syndicates, and practice other forms of covert or overt collusion. Thus, market competition tends to destroy its own basis and is gradually replaced by oligarchic planning by giant corporations.

Big corporations appeared as early as the second half of the XIXth Century in connection with the railway constructions. After the Great Depression of the 1870s, they spread to industry. In America, their appearance was duly recognized by the passing of the Sherman Anti-Trust Act in 1890. Around the turn of the century one-tenth or more of all workers employed in non-agricultural (in France) or manufacturing (in America) enterprises were employed in firms with more than 500 employees in France and in those with more than 1,000 employees in the

²²⁾ This is seen easily when changes in the share of top plants are compared with those in the share of top firms. Fraiss found in Britain that between 1935 and 1963, the share of 100 top plants in manufacturing remained constant at 11%, while the share of firms increased from 24% to 38% (L. Hannah *The Rise of the Corporate Economy*, Methuen, London, 1976, p. 183).

²³⁾ The merger is not necessarily forced. It is often voluntary, as when a company needs capital for expansion and lacks access to the capital market or when, by merging two companies, their position on the market is improved. High estate taxes also induce owners to sell out before death and leave the heirs more readily marketable cash and securities. The modern aggressive takeovers mostly exploit the peculiarities of the stock exchange operations and of the tax system. These peculiarities may be denoted as the price/earnings effect and the profit tax effect. In the former case, the aggressor is a corporation with an inflated (share) price/earnings (per share) ratio. The aggressor first typically secretly buys the shares of the victim (which has a low P/E ratio) up to the percentage of the total stock (10% in the USA), which need not be disclosed to the government agency. Then the management of the target company is approached. If the deal is rejected, the aggressor makes the tender offer to the stockholders of the victim at a price sufficiently above the market price. The purchase is financed out of the difference between the P/E ratios of the two corporations. In the latter case, the aggressor offers more profitable debentures in exchange for the shares of the victim's stockholders. The gain is financed out of savings on the profit tax because interest on debentures is deducted a cost. A sound, conservatively-managed corporation is likely to have a slowly growing stock (to which the market will assign a low P/E ratio) and to shun debt. Thus, it will be doubly vulnerable to the attacks of reckless speculators. This explains the phenomenal growth of conglomerates in the last two decades. It is also obvious that type of growth cannot be stabilizing nor has it anything to do with productive efficiency.

United States.²⁴⁾

Between the two wars, Berle and Means startled the competition, obsessed economists, by establishing the fact that in 1929 not more than 200 of the largest American corporations controlled about one-half of the total non-financial capital, whereas the other half was controlled by 300 thousand smaller firms. In view of this disproportion in numbers, the effective market control of the largest firms went far beyond one-half of the economy. The interlocking directorships worked in the same direction. This implied that about 2,500 individuals — out of a population of 125 million — directly or indirectly controlled the operation of the larger part of the enormous American economy.²⁵⁾ After 1929, the firms have, of course, continued to grow. If in 1929 some one hundred biggest corporations owned 44 per cent of the fixed assets in manufacturing, this percentage increased to 58 per cent in 1962.²⁶⁾ In Britain, the largest from 10 per cent in 1880 to 26 per cent in 1930, and to one-half today.²⁷⁾

Since recently, we can observe the appearance of a new phenomenon: business planning on a world scale by gigantic corporations. Although the export of capital started at an early stage, it was only after the second World War that world trade came to be dominated by a small number of giant multinational corporations. In 1969, the sales of any of the three biggest corporations — all of them American — were larger than the gross outputs (gross national product plus intermediate goods) of any of some 120 sovereign nations.²⁸⁾ It has been estimated

²⁴⁾ Non-agricultural labour employed:

	Percentages			
	1882	1905	1925	1961
in enterprises with more than 200 employees in Germany	41.9	20.3	23.5	45.1
	1896	1906	1926	1958
in enterprises with more than 500 employees in France	9.3	11.7	19.3	29.8
		1909	1929	1955
Employment in American manufacturing firms with more than 1000 employees		15.3	24.2	33.6

E. Mandel, *Marxist Economic Theory*, Vol. III, Monthly Review, New York, 1968, pp. 395—97.

²⁵⁾ A. Berle, G. C. Means, *The Modern Corporation and Private Property*, New York, 1939, pp. 33—35. In 1963 in Britain 180 firms employed one-third of the labour force in manufacturing and effected one-half of capital expenditures. In Germany, industrial concentration is even greater. Here, in 1960, only 100 firms controlled two-fifths of industrial turnover, employed one-third of the labour force, and participated with 50 per cent in manufacturing exports (M. Kidron, *Western Capitalism Since the War*, Penguin, Harmondsworth, 1970, p. 27).

²⁶⁾ Kidron, *op. cit.*, p. 26.

²⁷⁾ L. Hannah, *The Rise of Corporate Economy*, Methuen, London, 1976, pp. 113 and 216.

²⁸⁾ *Economic Analysis*, 1971, p. 282.

that by 1985, some 300 companies will control about 75 per cent of the capital assets of the capitalist world. The key industries, such as car manufacture, computing and chemicals, will each be effectively controlled by four or five multinationals.²⁹⁾ The reasons for the multiplication of transnational corporations are techno-economic and institutional. If, instead of exporting commodities, the output capacity itself is located in a foreign market, the transportation cost may be reduced, cheaper local raw materials, energy and labour may be used, and output can be adjusted to local demand. Further, by operating in several countries, the corporation can secure its own sources of supply and can use the advantages of a larger market. But, perhaps, the main advantage is institutionally determined. The corporation can escape unpleasant government controls, and by manipulating internal prices declare profits where taxes are lowest.³⁰⁾

As usually, quantitative growth resulted in qualitative changes. First, individually-owned enterprises have been replaced by joint stock companies. There are at least two reasons for that. One is that the corporations were simply outgrowing the financial possibilities of single families. The other is that death duties (introduced in Britain in 1894) made it increasingly difficult to perpetuate family control over the generations. On the other hand, capital gains were either not taxed at all (in Britain until 1965) or taxed at rates substantially below income tax rates. Thus, it paid to liquidate family interests through company flotations. As a result, ownership is separated from managerial control. Out of the 200 largest non-financial American corporations, only 12 were family firms in 1929 while none were that in 1963. In the additional 57 firms in 1929 and 23 in 1963, control was exercised on the basis of majority or minority ownership of stock. Some 88 firms in the former year and 169 in the latter were management-controlled.³¹⁾ In Britain, management control in the 50 largest mining and manufacturing firms increased from 50 per cent in 1936 to 72 per cent in 1951.³²⁾ Secondly, management has largely become an autonomous and self-perpetuating oligarchy. Finally, corporations tend to generate necessary funds internally. This provides at least two advantages. On the one hand, transaction costs and the uncertainty of new capital issues in the stock market are avoided. On the other hand, shareholders prefer this policy because capital gains are taxed at much lower rates than the distributed dividends. Self-financing makes corporations financially independent and the management remains in full control of funds. As a consequence of this triple change, competitive capitalism was transformed into *monopoly capitalism*.

²⁹⁾ J. Wakeford et al., eds., *Power in Britain*, Heinemann, 1973, p. 317.

³⁰⁾ Using this technique even before the war, the Royal Dutch-Shell Company, to quote an example, succeeded in evading tax payments to the Yugoslav government for some ten years. When the evasion was discovered, the Company bribed the officials. Cf. B. Horvat, *Ekonomika jugoslavenske nafne privrede*, Beograd, 1961, p.

³¹⁾ R. J. Lerner, *Ownership and Control of the 200 Largest Non-financial Corporations, 1929 and 1963*, *American Economic Review*, 1966, p. 781.

³²⁾ F. Pryor, *Property and Industrial Organization in Communist and Capitalist Nations*, Indiana Univ. Press, Bloomington, 1973, p. 119.

The term is somewhat ambiguous. In this case "monopoly" does not mean complete control of sales. In many industries, three or four firms control two-thirds or more of total output; it is only exceptionally that one single firm is dominating. Thus, strictly speaking, one ought to talk about oligopoly,³⁵⁾ not monopoly. One could still use the term "monopoly" in the sense that the demand curve is downward-sloping, which means that the firm is no longer a price taker as under competition. This is due to the large size of the firm and the differentiation of the product. But there is more to it than that. Once an entire industry is controlled by three or four giant firms, competitive price cutting is a very dangerous affair. It may — and it did, when in the early days inexperienced partners experimented in it — result in a general disaster. Thus, planning and coordination are in everybody's interest. Now, cartels and other forms of open collusion are usually curbed by anti-trust laws. But tacit collusion is possible and is widely practiced. Firms study each other carefully and know very well what they can do without provoking retaliation. Prices are established so as to reflect common interest. No consultation is necessary. Tacit collusion is most conspicuously expressed in price leadership: the acknowledged leader takes the initiative in changing the prices and other firms follow the lead. As a consequence, oligopolistic behaviour begins to resemble very closely that of the monopoly. Statistical evidence indicates that oligopolistic prices fall in depression substantially less than competitive prices and that, generally, the profits of large firms and in oligopolistic industries are bigger than those of the smaller ones and in more competitive industries.³⁶⁾

Capital concentration and centralization both provoked and enabled labour centralization. Faced with the economic power of employers, workers organize themselves into unions. In order to be effective, unions must be large organizations which grow until they reach the absolute limit of nationwide associations. At that stage, monopoly labour is facing monopoly capital. They fight for a share in the national cake. This conflict is, of course, obvious. What is less obvious is that the two monopolies have vital interests *in common*. In the early days of capitalism, labour unions were a mortal threat for the profits of small entrepreneurs. Thus, the state power was used to outlaw them. The giant corporation is sure of profits and fears only the destructive consequences of disorderly behaviour of workers. If an organization is willing to respect management prerogatives and to guarantee labour discipline, the

³⁵⁾ In the United States, almost two-thirds of the identifiable markets, accounting for about 60 per cent of the value of manufacturing output, showed significant elements of oligopoly (C. Kaysen, "The Corporation", in E. Lanmann et al., eds., *The Logic of Social Hierarchies*, Markham, Chicago, 1971, p. 217). In smaller countries, this percentage will by necessity be higher.

³⁶⁾ E. Mandel, *op. cit.*, p. 426. Also E. Mandel, *Der Spätkapitalismus*, Suhrkamp, Frankfurt, 1972, pp. 476—78.

corporation ought to be only too glad to negotiate a deal.³⁵⁾ Contemporary labour contracts explicitly state that strike action is forbidden without the approval of the union. "Today the worker who >wildcats< "— comments Staughton Lynd on American arrangements —" can expect to be dismissed with the assistance, indeed at the insistence, of the union".³⁶⁾ And so labour unions came to be integrated into the system. Wages rise and profits do as well, while corporations are able to plan and to minimize risks.³⁷⁾

(c) *The General Pattern of Capitalist Development*

Capitalism is based on competition and constantly produces monopoly. It is founded on the market and constantly generates attempts to destroy the market, to internalize all its decisions. Corporations strive for vertical integration in order to control prices and other conditions of supply. Horizontal integration is established in order to eliminate competition in the selling markets. A high degree, preferably one hundred per cent, of self-finance insures independence from financial markets. High-pressure advertising is used to mold consumer preferences, even to create needs which otherwise would never have emerged. Filing of restrictive patents or vexatious law suits and exclusive collective rebates provide barriers to entry. The ever-expanding corporation tries to internalize all decisions concerning production, buying, selling and financing. This amounts to total planning. However even if 200 firms dominate an entire economy and each of them is rationally planned, something is still wanting. The economy is not planned. Nothing in the system guarantees the sufficiency of the aggregate demand, the stability of prices and, consequently, the absence of periodic slumps. That was very persuasively demonstrated by the world economic crisis in the early 1930s. The state had to step in so as to fill the gap in the planning process. Soon Woytinsky, Wigforss and Kalecki, on the social-democratic side, and John Maynard Keynes, on the other side, showed how this

³⁵⁾ The first to realize this was the English bourgeois radical, Mundella who, as early as the 1860s told a Royal Commission that "we [the employers] could have done nothing without the organization of the unions" (Z. Bauman, *Between Class and Elite*, Manchester Univ. Press, 1972, p. 122). Mundella was not applauded by his less imaginative and less intelligent colleagues. Several decades passed before his position was generally accepted by English employers, and two or three decades more before the American employers caught up. Today, it sounds almost like a truism.

³⁶⁾ S. Lynd, G. Alperovitz, *Strategy and Program*, Beacon Press, Boston, 1973, p. 38.

³⁷⁾ J. K. Galbraith observes that an "important service of the union to planning is to standardize wage costs between different industrial firms and to insure that changes in wages will occur at approximately the same time. This greatly assists price control by the industry. And it also greatly facilitates the public regulation of prices and wages.... one of [it [industry-wide union] tasks will be to insure that rates of pay will be more or less the same for the same kinds of work. This is done in the name of fairness and equity, but it means too that no firm can reduce prices because of lower wage rates and none will be impelled to seek higher prices because its rates of pay are higher" (*The New Industrial State*, Houghton Mifflin, Boston, 1967, pp. 278—79).

could be accomplished. And capitalism acquired yet another epithet: it came to be called *state capitalism*. The two world wars helped to speed up the process. Both government and business learned how to cooperate in the joint venture of controlling the economy and the society.

A brief historical digression may prove useful. State interference in the capitalist process did not occur for the first time in the interwar period. Neither did monopolies emerge only after the 1870s. Capitalism, in fact, started with both. Its first, preparatory stage is known as *commercial capitalism*. It represented a transition period between feudalism and full-fledged capitalism.

In Western Europe it lasted about three centuries, until the early XVIIIth Century. In order to expand trade and to create new manufactories, merchants asked for, and were granted, monopolies. The young national states — growing more centralized until they reached the stage of "enlightened absolutism" — searched for new sources of revenues. Trading companies, conducting business under very precarious conditions, needed state protection. The symbiosis between commercial capital and the state was a natural outcome. But the expansion of trade was bound to eventually undermine restrictions and monopolies. By the end of the XVIIth Century, regulated companies ceased to be the dominant form of organization in foreign trade. In the early XVIIIth Century, the putting-out system began to be replaced by factory production. The stage was set for the Industrial Revolution, which started in the 1760s with the perfected steam engine and improved textile machinery. Soon *industrial capitalism* was in full swing, destroying the remaining trade barriers. Its competitive stage ended with the Great Depression 1873—96 and the rest of the story we already know. When a firm grows relative to a given industry, it reaches a stage when further expansion *within the confines of the same industry* reduces profitability. It is then forced to go outside and diversify industrially and geographically. "Thus the typical production unit in modern developed capitalism is a giant corporation which is both conglomerate (operating in many industries) and multinational (operating in many countries).³⁸ A small number of such big corporations, aided and coordinated by the government, effectively run the show.

Each of the four developmental stages is faithfully reflected in the economic theory. *Mercantilism* is the theory of commercial capitalism. It insisted on the identity of commercial profit and national benefit. The competitive stage of industrial capitalism is spanned by *classical political economy*. Its first heralds were William Petty (*Political Arithmetick*, 1672) and Richard Cantillon (*Essai sur la nature du commerce en general*, 1755). Physiocrats popularized the *laissez-faire laissez-passez* principle, and Adam Smith the invisible hand. The last original work in the classical tradition was *Das Kapital* of Karl Marx (1867). It marked at the same time the beginning of, a new, anti-capitalist, thinking and development. The marginalist revolution of Jevons, Menger and Walras in the 1870s and the theories of imperfect and monopolistic competition of the early 1930s (Joan Robinson and E. Chamberlin) delimit the era of

³⁸) P. M. Sweezy, *Modern Capitalism and Other Essays*, Monthly Review Press, New York, 1972, p. 8.

neoclassical economics. It started with the theory of competition and ended with the theory of monopoly. Keynes's *General Theory* appeared in 1936. Keynesian economics is still with us. And so is state capitalism.

Other classifications are also possible. For instance, a three-stage classification into commercial, industrial and post-industrial capitalism. Since I am concentrating on the last stage, I found it convenient to lump competitive and monopoly stages into one single *laissez-faire* stage and contrast it with the last, regulated stage. But the four stages described above seem to be historically so well-demarcated that they enter into any conceivable developmental classification. They illuminate the dynamics of the system. They also indicate an acceleration of development: the stages are being progressively shorter. Table 1.2 summarizes the discussion.

Table 1.2

Classification of Capitalist Development

Transition from feudalism:

Commercial capitalism, XVth to the beginning of the XVIIIth Century

Laissez-faire stage:	Competitive, until 1870s	} Industrial capitalism
	Monopoly, until 1930s State, until 1970s	

Regulated stage:	Transnational (?) Postindustrial capitalism, transitional (?)
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We can now resume our analysis of state capitalism.

The rapidly increasing role of the state is well described by the share of government spending in the gross national product. Around the turn of the century in the advanced capitalist countries, this share amounted to 5—10 per cent. It did not increase substantially before the world crisis.³⁹ Since then it has been rising fast and in the 1970s it passed one-third, and even forty, and fifty per cent as in Scandinavia and the Netherlands. This is already a sufficiently large mass of resources which can be effectively used for stabilization purposes. A large public sector fulfils in fact two different stabilization tasks: since government purchases are not subject to spontaneous market fluctuations, they provide an island of stability against the cumulative waves in the upswings and downswings. Apart from that, fiscal and monetary weapons can be used to produce countercyclical effects.

³⁹) In the United States it increased from 7.4 in 1903 to 9.8 percent in 1929 (P. A. Baran, P. M. Sweezy, *Monopoly Capital*, Monthly Review, 1966, p. 146). The other possible measure of the state role is the number of civil servants. Here are the data for three characteristic years in Britain: 1797 — 16267, 1851 — 39,147, 1901 — 116,413, 1955 — 633,000 (Z. Bauman, *Between Class and Elite*, Manchester, Univ. Press, 1972, p. 250).

Inside the government sector, special significance is attached to defense expenditures. In the American case, they almost double government purchases. This led to the creation of what is known as the military-industrial complex. Its "total influence" — as pointed out by President Eisenhower, who can hardly be considered a radical — "is felt in every city, every statehouse, every office of the Federal Government." Opposition against taxation somehow melts when money is spent on armaments. Thus, military expenditures help to sustain aggregate demand. And more than that. They "provide underwriting for advanced technology and, therewith, security for the planning of the industrial system in areas that would otherwise be excluded by cost and risk".⁴⁰⁾ Thus, a modern capitalist state has a certain stake in military expenditures. But that should not be overstressed. Space competition can effectively replace the arms race. And so can direct financing of research and development. It might be noticed that military expenditures are small in F. R. Germany and negligible in Japan, while these two countries achieve a substantially higher rate of growth than the United States.⁴¹⁾ In general, the larger the total public sector, the less important are military expenditures.

Apart from the traditional Keynesian recipes, the speeding up of technological progress was shown to be one of the tasks of the modern capitalist state. And so is the provision of trained and educated manpower. The state also participates in investments and engages directly in production. The capital-intensive infrastructure — roads, railways, airlines, energy supply — is, as a rule, provided by the state. The state bails out failing corporations, subsidizes unprofitable industries, guarantees export risks. When necessary, it regulates wages and prices. In general, whenever the corporate system fails, the state steps in. Therefrom appellation for the system in question: *state-monopoly capitalism*.

There is one important thing that a national state cannot accomplish. It cannot plan on an international level. The corporation can transcend national boundaries, the state cannot. The current crisis of the international economic order reflects this fact. Since modern economy is highly interdependent, national planning cannot prevent business fluctuations unless economic activities are coordinated on a world scale. The internationalization of planning is the next likely stage in institutional development. It may therefore be characterized as *transnational*.

Big Business implies Big Labour; both of them imply Big Government. The government, in a capitalist setting, is based on political parties. Parties, like unions, are bureaucratic mediators. Workers cannot negotiate or strike without unions. Deputies cannot vote or act without the permission of the parties. In order that the government be effective, it must be stable. In order that the government be stabilized, the number of political parties is gradually reduced until the whole political life

⁴⁰⁾ Galbraith, op. cit., p. 229.

⁴¹⁾ Paul Sweezy argues, however, that Japanese and German growth can at least partly be explained by the Korean and Vietnam wars and by the expanding American market (which decisively influences the world market) fed by military expenditures ("Capitalism, for Worse", in L. Sillk, *Capitalism*, Praeger, New York, 1974, pp. 125—27).

is dominated by two major parties.⁴²⁾ There is, further, a strong tendency of these two parties to link themselves with the other two monopoly groups and to represent their interests. Thus, it is likely that there will be a "conservative party" favouring interests of private capital and a "labour party" supported by trade unions.

Four giants dominate the social scene in state-monopoly capitalism: organized capital, organized labour and two political parties. Insofar as political parties clearly identify themselves with two antagonistic social interests, the oligopoly of four reduces to a duopoly. But even if this identification does not take place, it is still a fact that human affairs are conducted by gigantic organizations. Business managers and state officials are organization men. Technostructures⁴³⁾ and bureaucracies are instruments of organizational control, of coordination and regulation. Groups which have access to the commanding positions of such organizations wield enormous power. Together with competition and the laissez-faire market, sometime individualism is disappearing under the heavy weight of organization. In fact, the life of every individual is regulated by some organization over which he has little or no control. Because of this overwhelming importance of organization, I propose to denote the modern stage of capitalism as *organized or regulated capitalism*.

The last two stages of capitalism are quite clearly separated by the interwar period. The laissez-faire stage ended with the First World War. Organized capitalism was fully established after the Second World War. Between the two wars political instability, economic stagnation, the world economic crisis and the emergence of fascism marked the rather turbulent evolution of one stage of capitalism into the other.

⁴²⁾ "Two great monolithic structures face each other" — Robert McKenzie describes the British scene, adding characteristically — "and conduct furious arguments about comparatively minor issues that separate them". (*British Political Parties*, Heinemann, London 1955, p. 586.) It is not difficult to agree with R.H.S. Crossman that in his book McKenzie "has shown conclusively that the two great parties have developed in accordance with the law of increasing oligarchy which operates in industry, in the trade unions and in Fleet Street." (*Socialism and the New Despotism*, Fabian Tract 258, London 1956, p. 21.)

⁴³⁾ The term was coined by J. K. Galbraith to denote the power pyramid in the modern corporation. The technostructure "embraces all who bring specialized knowledge, talent or experience to group decision-making" (op. cit., p. 71.)

KAPITALIZAM

Branko HORVAT

S a ž e t a k

U ovom ogledu autor analizira političko-ekonomske karakteristike kapitalizma kao društveno-ekonomskog sistema.

U prvom dijelu oglada ispituje se, na osnovu historijskog materijala, proces političke liberalizacije nakon buržoaskih revolucija. Od tri ideala francuske revolucije, sloboda je interpretirana formalno i negativno, kao sloboda od a ne sloboda za; jednakost je sprovedena kao formalno-pravna jednakost; a bratstvo nije ušlo u buržoaske ustave niti je moglo da se održi u buržoaskom društvu. Proces političke liberalizacije bio je izuzetno spor. Ako se politička demokracija definiira kao muško pravo glasa, tajno glasanje i odgovornost vlade parlamentu, onda je ona prvi put uspostavljena tek prije stotinjak godina. A ako se uključi i žensko pravo glasa, onda politička demokratija u svega nekoliko pionirskih zemalja datira tek od početka ovog stoljeća. U većini slučajeva ona je rezultat borbe radničkih organizacija: sindikata i partija.

U drugom dijelu oglada iznose se podaci o eksproprijaciji nezavisnih proizvođača kao rezultatu kapitalističkog razvoja. U vrijeme engleske i američke revolucije, između tri četvrtine i četiri petine stanovništva su nezavisni farmeri, obrtnici i trgovci. Pri kraju epohe liberalnog kapitalizma preko četiri petine aktivnog stanovništva prinuđeni su da se unajmljuju kod privatnog kapitala ili države. Autor zatim analizira proces koncentracije i centralizacije kapitala koji se završava dominacijom malog broja transnacionalnih kompanija.

U trećem dijelu oglada izvršena je periodizacija kapitalističkog razvoja. Prijelazno razdoblje između feudalizma i kapitalizma traje u Evropi oko tri stoljeća. S industrijskom revolucijom 1760-tih godina u Engleskoj započinje epoha liberalnog kapitalizma koji ima dvije faze. Konkurencija preovladava u prvoj fazi koja se završava velikom krizom 1870-ih godina. U drugoj fazi razvijaju se monopoli i taj razvoj završava se svetskom ekonomskom krizom 1930-ih godina. To je ujedno i kraj liberalne epohe i započinje epoha reguliranog kapitalizma. Ona također ima dvije faze. U prvoj državnom intervencijom na osnovu Keynezijanske ekonomije dolazi do stabilizacije, pune zaposlenosti i brzog privrednog rasta. Ta faza završava se krizom 1970-ih godina i pokušajima izgrađivanja novog svetskog ekonomskog poretka. To znači da su mogućnosti intervencija nacionalnih država iscrpljene i da je kapitalizam ušao u fazu transnacionalnog razvoja. Time ujedno kapitalizam dolazi do kraja svojih logičkih i historijskih mogućnosti. Zbog toga se transnacionalna faza može ujedno smatrati početkom prijelaznog razdoblja prema jednom novom društveno-ekonomskom sistemu.

WORKERS' MANAGEMENT AND THE TRANSITION TO SOCIALISM:
SOME ISSUES AND PROBLEMS

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I. INTRODUCTION: THE APPROACH TAKEN IN THIS PAPER

One of the chief issues that has emerged from recent discussions of workers' management is its relationship to the transition from capitalism to socialism in the advanced industrial nations. Many workers' participation schemes and programs for "co-determination" are seen as devices by which productivity can be increased and labour-management conflict reduced, without significantly modifying management control over the means of production and the accumulation of capital. Critics on the left see these programs as devices for strengthening modern industrial capitalism in an age of anxiety and alienation, much as trade unionism and collective bargaining, social legislation and full employment policies served to ease the tensions and conflicts inherent in the industrial capitalism of an earlier day.

On the other hand, programs for management of industry directly by workers have long been a feature of the socialist ideology. Guild socialism in England, the anarcho-syndicalist enterprises in Spain, and the syndicalism of the Industrial Workers of the World in the United States are examples of programs for workers' management within the framework of democratic socialism. Gramsci (1919—20) and Gorz (1964) saw workers' management as an alternative to trade unions and collective bargaining, with a strong revolutionary potential. Pateman (1970) suggested that workers participation schemes serve to heighten workers' consciousness. Coates and Topham (1968) argued that nationalization of industry and workers management are both necessary to a viable socialist program. Panitch (1978) has recently argued that workers' management can develop into a force for revolutionary change if it is led by a vanguard political party. And Sik's "third way" (1976) includes workers' management, along with indicative planning and market socialism, in his alternative to the monopoly capitalism of the west and the authoritarian socialism of the east. We appear to be at a crossroads: workers' management could develop into one means by which industrial capitalism adapts to the growing crisis and renewed contradictions of the se-

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