

**Branko HORVAT**

## **WHAT IS SOCIALISM?**

**Excerpts from *The ABC of Yugoslav Socialism* (Globus, 1989)**

*From the Foreword*

.... It's not an exaggeration to say that there is a complete confusion about socialism in our country as well as in the world today. ....I tried to show that the confusion disappears when the actual problems are treated on the basis of a serious and consistent social theory. Not only the terms attain full meanings, but, also, the problems become quite clear and commonsensically obvious. In fact, the validity of any social theory is tested precisely by the question whether its practical solutions can be made commonsense and obvious. ....

### Chapter 1.                      What Is Socialism?

.... When I asked my European and American students what is socialism, I was getting a short and prompt answer: a socioeconomic system in which the economy is based on state ownership and central planning, while the political life is controlled by a party with a monopoly of power. That, until recently, and with few exceptions, was a point of agreement between the East and the West. However, if we analyse the motivations of the actors of the authentic socialist revolutions, or simply survey our partisan generation, we'll find that no one had ever thought of dying for state ownership and party monopoly. In fact, to these revolutionaries, such an idea would appear grotesque. The reasons for engagements in Socialism were completely different.

Two years ago, I was a guest of the Chinese Academy of Social Sciences. Among other things, I had a talk with the members of the department for political economy. I asked, too, those experts on socialism: What is Socialism? After a four-hour discussion it turned out that my learned companions are without an answer. That critical scepticism was already a great step forward in comparison with the vulgar dogmatism about state ownership and a one-party political system.

How did the fighters for socialism understand their socialism? There can be hardly any doubt that they imagined it as a *just* society. People fought for justice in the bourgeois revolutions as well. The most famous, the French Revolution, defined that justice very explicitly: liberty, equality and fraternity. The bourgeois revolutions also managed to partly realise that justice: impressive political liberties, a considerable equality before the law, while not much fraternity, though you have the welfare state... .. The socialist revolution had a task to finish what the bourgeois ones started; socialism had to overcome the limitations of capitalism.

A socialist society of persons that are free, equal and united in solidarity is obviously incompatible with any political hierarchy or social stratification. A vertical stratification on classes and layers appears as an inevitable consequence of concentration of power in society. There are three possible sources of such a concentration of power: ownership, political position, and knowledge, i.e. ownership of relevant information. Hence, there are three types of power: economic, political and manipulative-ideological. Capitalism is based on private property, and class exploitation is primarily economic. The so-called real-socialism, whose scientifically more exact name is statism, is based on the monopoly of political power. In it, the class exploitation happens by the way of political means. Both systems, of course, hire professional producers of ideology (faith-, party- ideology, et al.), that provide legitimacy of the system in the eyes of the members of the society, including those most exploited. Socialism is a society in which the class stratification is gradually abolished, and, by that, socialism differs from capitalism and statism.

The abolition of stratification and exploitation demands a break up of the concentration of power. Historically, socialists have devoted most attention to the break up of economic power, so all the socialist revolutions did nationalisations. However, experience showed that nationalisations that establish state ownership become a basis for a new, statist type of exploitation. For that reason, instead of state ownership, one has to establish social ownership. I'll describe social ownership later.

.....

Just as we could predict the current crisis, we can predict the way of resolving it. What is needed is to realise the whole society on a single organising principle: either on the basis of hierarchy, or on the basis of collaboration. Hierarchy would imply a return to state ownership and statism. Modern experience shows that statism has exhausted its potentials for development, so this solution – quite independently of any subjective position – isn't possible. So, as the only solution it remains that the political system be adapted ....

## THE ECONOMIC SYSTEM

### Chapter 4. What is social ownership?

Probably there is no greater confusion about any legal or economic term than it is about social ownership. Using legal and textbook terms, about social ownership you can “prove” virtually anything. .... Prof. Andria Gams warned about the logical and legal flaws of the thesis that it is an "ownership by everyone and no-one," and the tremendous costs to our economy by using that notion as a basis..... It seems the only result of his engagement was that he lost his cathedra..... which is just to show that the struggle against this ideologised ignorantism is far from a safe activity. ....

The scientific confusion appears primarily because the term is three-dimensional, while people treat it only as a one-dimensional, legal term. ....

Production implies ownership. The final result of production always belongs to someone. It belongs to those who possess the means of production. ... So, ownership is a socioeconomic category. One of its components are ownership right, a formal-legal category. ... American and Yugoslav firms are basically legally regulated in the same way. ....only the Yugoslav firm has more shareholders, and they always have equal shares. Namely, in every Yugoslav firm the shareholders are all the Yugoslav citizens. That way, the self-governing firm is a generalised corporation (a fact which will make our Hegelian theoreticians happy).

....

In the sense of *social relations*, the production ownership implies governing of the labour of other, non-owning members of society. In a non-class socialist society, ownership can't be a basis for exploitation of others' labour. That absence implies three basic rights:

- \* Every member of society has a right to work (in that sense, the current high unemployment is equally a massive breaking of the socialist principles, as well as a privatisation of the social property)
- \* Every member of the society has a right to compete for any workplace depending on his abilities and specialist qualifications .....
- \* Every member of the society has a right to take part in the governing [/"management"/] of the production. ....

In the *economic* sense, social ownership implies distribution according to the work. In other words, the incomes from the ownership (various rents) belong to the society, while the producer can take as his own only the income from work. Hence the aforementioned fourth limitation of the legal component of social ownership – that social capital can't be eaten, can't be consumed, – is a consequence of this economic principle.

The social space defined with these three dimensions – legal, social and economic – is a socialist space in which the ownership is social regardless who is registered as the formal owner in the legal books. In other words, if the above three conditions are satisfied, the socialist system is completely compatible with these legal forms of ownership:

- Self-governing company,
- Private ownership,
- Co-partnership,
- Fellowship,
- Company based on contract
- Communal and state ownership

Which of these forms will be used depends on the organisational and technical characteristics of the business, and not on ideological criteria. The criterion is economic efficiency.

We can finish with a commonsensical conclusion, deeply rooted in the aforementioned theoretical premises:

Every political or economic monopoly and unequal reward for equal labour, - and in our country those inequalities are bigger than anywhere else in Europe - is a privatisation of the social property and exploitation of others' work.

Increasingly frequently we hear the claim that social ownership lowers the efficiency and sabotages initiative. Those criticisms resemble the criticisms against the shareholding ownership when it appeared, and when Adam Smith pointed out that only the private owner will successfully govern his company, while the shareholders wouldn't care enough about the company's profits. It's obvious that both claims were, and are, groundless. If the Yugoslav company is less efficient than a US company, the reason isn't the form of ownership but the statist directing of the economy that ruined the self-governance and the market.

If they live from their own labour, the most private farmer and artisan are socialist elements; if they live from the work of others, the most supreme and most vocal political official represents an anti-socialist element.

How to measure what is the result of one's own, and what the labour of others, - isn't quite simple. But , on that later.

## Chapter 7. Distribution according to work

.... When we talk about distribution according to work, we don't mean a simple physical expenditure of the workforce but the results of that work. .... A deep sense of justice – on which working motivation is based – tells us that we have a right to ask as much as we give to the society. Exceptions being children, elderly etc., those who by no guilt of their own cannot give a normal working contribution. The key question is how is the working contribution to be judged. The answer is – the Market, but not spontaneously, but instead under control of institutions, so that certain principles are satisfied.

The contribution of labour has two components: individual and collective. .... For the individual component (complexity, length, intensity and conditions of

work), for judging that is the domain of the working collective. .... The collective component is in the functioning of the firm as a whole in the production, on the market.... Here we come to the toughest question – how to secure the business results are an expression of the productive entrepreneurship, rather than a monopoly or unproductive speculations? An unregulated market can't bring the needed results. Administrative regulation even less. Where is, then, the solution?

....

We start from statistical rules: it's perfectly possible that two individual firms differ widely in their efficiency of business-making. In that case the principle of distribution demands that the efficacious collective realises a high income, the not efficacious one a low income. But from the same statistical rules it is extremely unlikely that one whole economic branch can consist of only good collectives, and another only of bad ones..... That implies that under normal market conditions the economic branches (or groups, of say minimum thirty firms) do business equally well. In that case, the principle of distribution requires that all branches have an equal average income calculated on the hypothetical worker.

From reasons I can't discuss here, uncontrolled market won't by itself realise equal incomes by branches, so it's necessary for the state to use its instruments of economic policy to accomplish that. Since today in our country doesn't solve that task, the incomes for exactly the same working place in different economic branches differ for up to two to three times. We conclude that one has to distinguish three phases in the distribution according to work. First, via economic policy you influence the market so that every economic branch realises an equal average income. Then, inside the economic branch happens a market differentiation, so the more efficient collectives have a higher average income. In the end, inside a given company the income is distributed according to the internal company rules.

Our problem isn't fully solved. ....

*[I'm skipping his further explanation on the above problem, because it's lengthy and rather technical.]*

## Chapter 9. Planned regulation of the market

In the East and in the West, experts and laymen alike still predominantly think that planning and market are two incompatible forms. .... For our purposes here, we'll talk on planning at a national level: ..... One should point out to the fact that planning isn't the same as formulation of plans, the easiest part of the activity. Planning also includes control and execution of plans. That way, planning and economic policy represent an integral whole.

A plan on the level of a whole society has four basic functions:

1. A plan is, before all, an instrument of predicting. Accompanying the normative part, it must contain an extended analysis of the economic trends with just as detail forecasts. The point of every of these very detailed analysis is to provide the producers an insight in the most likely economic developments and provide them all the information they need to shape their policies. ....
2. Instrument of coordination of economic decisions . Directive is only that part

that refers to the state organs. For everyone else, a plan of a whole society offers only an economic direction. It is produced by participation of all the entities. Once finished, it represents not just a projection of what is likely, but also a projection of the mutually agreed movements.

3. .... Determining which economic developments would be optimal from the point of view of the country as a whole. When that is done, suitable economic instruments should be selected, their effects quantified, and their application adapted for the most effective realisation of the determined social goals. Those steps contain one more basic function of a social plan: the function of an instrument of directing the economic development

4. As a creation of an economic policy, the plan represents an obligation for the body that created it, and a directive for all its organs. If it's a plan for the society, it's an obligation for the federal parliament and a directive for the federal government and its organs. ... Under normal circumstances, they have to take full responsibility for not realising the goals.

Let me add one technical characteristic. Planning demands a continuity. Plans have to be revised for the best exploitation of the available possibilities. The result of it are so-called 'moving plans.' If mid-term plans cover a five-year period, and long-term plans a period of twenty, a planning horizon every year should move one year ahead so that at every moment we would keep a five-year planning horizon. At the end of the original five-year plan, the long-term planning horizon would [end up being gradually?] moved five years ahead, reflecting the twenty-year horizon.

Traditional representative procedures are incompatible with those demands. A continuous planning requires a continuous government. Every year, or every other year, part of the parliamentary membership leaves its functions and is replaced by another. That way, the parliament has control over the planning activities.....

#### *Back to The Foreword*

Since my class left high school in a small provincial town in Croatia to join the partisans in the Yugoslav revolution, socialism was my constant preoccupation...  
[– Foreword, *The Political Economy of Socialism*, 1982]

From 1968, instead of democratisation of the country and orientation to political liberties and citizen rights, began a dissolution of the federation, with an accompanying economic and political irresponsibility. Concluding, after two years of fight, that I can't be useful as an economist anymore, at the end of 1970 I resigned from my official positions. .... In accordance with that statist system, from 1972 the country reintroduced repression. .... It became clear that the destructive forces are so strong that nothing can be done for the foreseeable future in terms of practice. I devoted myself to the study of socialism from every perspective, and spent the next ten years traversing the world, visiting every country where anything relevant in connection with socialism has been attempted. I tried to determine where socialism made a wrong turn, is socialism possible at all, and how it could be realised....

## THE POLITICAL SYSTEM

### Chapter 12. The Socialist State

.... For our purposes, it would be good to understand that each society, including the socialist one, has three different tasks: 1) providing means for life and general exploitation of resources..... 2) a general coordination of tasks, as well as conflict resolution 3) integration of individuals in the society. Thus we can distinguish three basic subsystems which we call economy, politics and culture. The first two may be conditioned by purposeful modelling and that's the reason they are examined in this study. The third subsystem, culture, is mostly a result of spontaneous activities and will not be considered here.

That decision, of course, isn't immune to objections. Culture isn't a mere superstructure. The three systems are obviously interdependent. The culture determines both the economic and the political organisation, but is also their subordinate. The culture secures values that generate political aims, that, in turn, lead to a mobilisation of economic resources. And vice versa, the economic growth causes changes in the institutions and values. However, for our analysis to be feasible, we have to simplify the above interdependence. What I propose is to accept the existing culture as given at a given time and consider the economics and politics as the chief instruments of social change. Having that in mind, economic and political systems must be built so that they hasten, as much as possible, a genuinely open, emancipated and spontaneous cultural development. More precisely, on the basis of analysing human needs I assume that modern economic development causes institutional changes particularly marked by demands for self-governance. Self-governance is starting to be treated as a basic human right. As a consequence, self-determination becomes one of the basic values or perhaps *the* basic value of the new culture. Cultural changes then strengthen political and economic changes, and legalise [sic] the use of force against aberrants. In the end, some sort of a new equilibrium is realised. That new equilibrium is self-governing socialism.

#### A. The State

.... The state, as an instrument of lawful violence of the ruling class, surely isn't needed in the classless society of socialism. That conclusion caused a huge confusion. From the bourgeoisie, it was abandoned as utopian. From the position of the statist, its realisation is constantly postponed until "the next stage of development." The consequences are similar: the state power grows. The roots of confusion may be found in the dual role of the modern state; it is an instrument of coercion, but it also secures the public services. Public services spread quickly, and that is going to continue. Only the coercive function of the state needs to die out. .... The governance over people disappears; the governance over things stays and develops.

But even that last conclusion isn't sufficiently precise. Society will have to protect itself against criminals. So, police and some sort of a system of punishments would probably remain with us. But, they wouldn't be used against "the enemy," be it internal or foreign. The political coercion will die out. ....

[W]e can define the political authority of the citizens as a free and equal access to the positions of political power. That, of course, includes the elimination of political parties. Since they secure obvious advantages to the political leaders, it's not likely that the parties would vanish by themselves. So, they have to be forbidden. Is that, perhaps, a restriction of freedom? Joseph Schumpeter fittingly defined the political party as "a collective whose members intend to act in unison in the competing struggle for political authority." Replace the term *political authority* with the term *profit* and you'll get a definition of cartel. It's generally accepted that economic cartels have to be forbidden. Still, cartels of politicians are left to act freely. Why? Is it not because politics, more than economics, is really important for a continuous prolongation of the class authority? In other words, it is not the expropriation of the private ownership but the *expropriation of political authority is the necessary and sufficient condition for socialism.*

Expropriation of political authority is what we mean when we talk about socialist democracy. So, socialist democracy cannot be limited to competitive struggle for people's votes with the aim of getting leadership positions – which is presently the most popular definition of liberal democracy. According to the latter view the primary political act of citizens is to elect authorities. Once again, the distinction between rulers and the ruled is assumed axiomatically. A socialist democracy cannot be based on the separation between the private and political spheres. Of course, citizens vote for representatives, but that's neither a primary nor the only political act. As the Australian politologist Carole Pateman writes,

"The immediate and representative democracy aren't viewed as two separate forms of power structure. Instead, both are interchangeable as two mutually related aspects of *one* power structure. Representing others doesn't necessarily include *plena potestas* [traditional "full power"]: ... In the experience of participatory democracy .... Political participation is as much a part of the everyday life as the private activities of the individual."

Disappearance of political parties means disappearance of politics as much as rooting out cartels means destruction of the economy; of course it just makes it more efficient. All that's needed is to ban donations and ban candidate appointments by party chiefs. In other words, we have to destroy the party apparatus and its political monopoly. ....

A few political parties would be replaced by a multitude of political gatherings ... promotional, or engaged groups as, for example, societies for the environment, for advancement of feminism (or masculism?), or for space exploration, or for support of some transport system, or interest groups that stand for the specific functional or material interests of their members. .... Since the conflicts will tend to be related to concrete issues rather than with the situations of classes of people, alliances would appear and disappear as the questions appear and disappear. The society will also have its social movements. Again, they would be driven by a multitude of organisations and it's unlikely they could be limited to two or three inflexible political machines. In short, it seems that the disappearance of political parties is a precondition for outgrowing the present-day general political passiveness and for replacing it with a vibrant political life, in which the participants would be the majority of the population.

#### D. The Socialist Democracy

Self-governance in the working organisations and the social community doesn't mean that people have to spend all their lives hurrying from one meeting to another. However, the past experience warns of the very real danger that something like that could happen. ....

Generally, the rational interest of people has only two components: (a) the political decisions are made according to their preferences (b) the state working to be efficacious. To get that, the citizens elect representatives whom they trust and employ specialists for administrative jobs. .... These things are clear and simpler. It's much harder to implement them. For that, we need a suitable institutional system and a group of operational rules. The division of power by functions [legislative, judicial, executive, administrative, controlling, and recruiting] makes it possible that most work will be done professionally, correctly, skillfully and with least expenditure of time .... Operational principles:

1. Principle of importance. Participation is required only in deciding the important political matters. What is important is decided by those affected by the decisions questions. Less important or uncontroversial questions are left out. What is relevant is decided by those affected by the decisions.
2. Principle of affected interests. Everyone who is seriously affected by the decisions of the management should have a right to participate in that management. The scope of issues encompassed by participative decision-making is further radically reduced with the next principle.
3. Demands, interventions and such are refused as long as the work the job continues normally. In other words, a large part of the decision power can be delegated to representatives and administrative apparatus without giving up of the decision power.
4. Principle of majority, rules are decided by majority vote. ....
5. Principle of protection for minority interests. Democracy doesn't mean just an absence of oppression (by either the minority or the majority), but also the possibility for the minority to become a majority, under conditions equal for all. The limit to both is secured by the group of basic rights and liberties. ....

.... the special role of media, a role that demands a suitable institutionalisation. The details of such institutionalisation are beyond the scope of this study. It'd be sufficient to mention that the media, like courts, have to be free from political control and money control. The social supervision of the mass media is done by a suitable ombudsman.

\* \* \*

Thus we conclude our analysis of the basic problems of socialist democracy. It's important to point out that self-governance isn't a panacea. Under certain conditions participation can increase the oppression, as noted by Arnold Tannenbaum. It's probable that it will happen pretty often if the minority rights aren't properly protected. .... [A]nd yet, even if there are certain risks that encompass participatory arrangements, there are also huge chances for positive development. Oppression may grow, but it doesn't have to. Without participation, the relationships are oppressive almost by definition - even under an ideally benevolent dictator. People's preferences may not become fully satisfied, but without participation that can't be fully satisfied. Operational efficiency may drop, but doesn't have to; without participation, however, the possibilities for growth simply can't be exploited.

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