

# Plural PROSPECTS

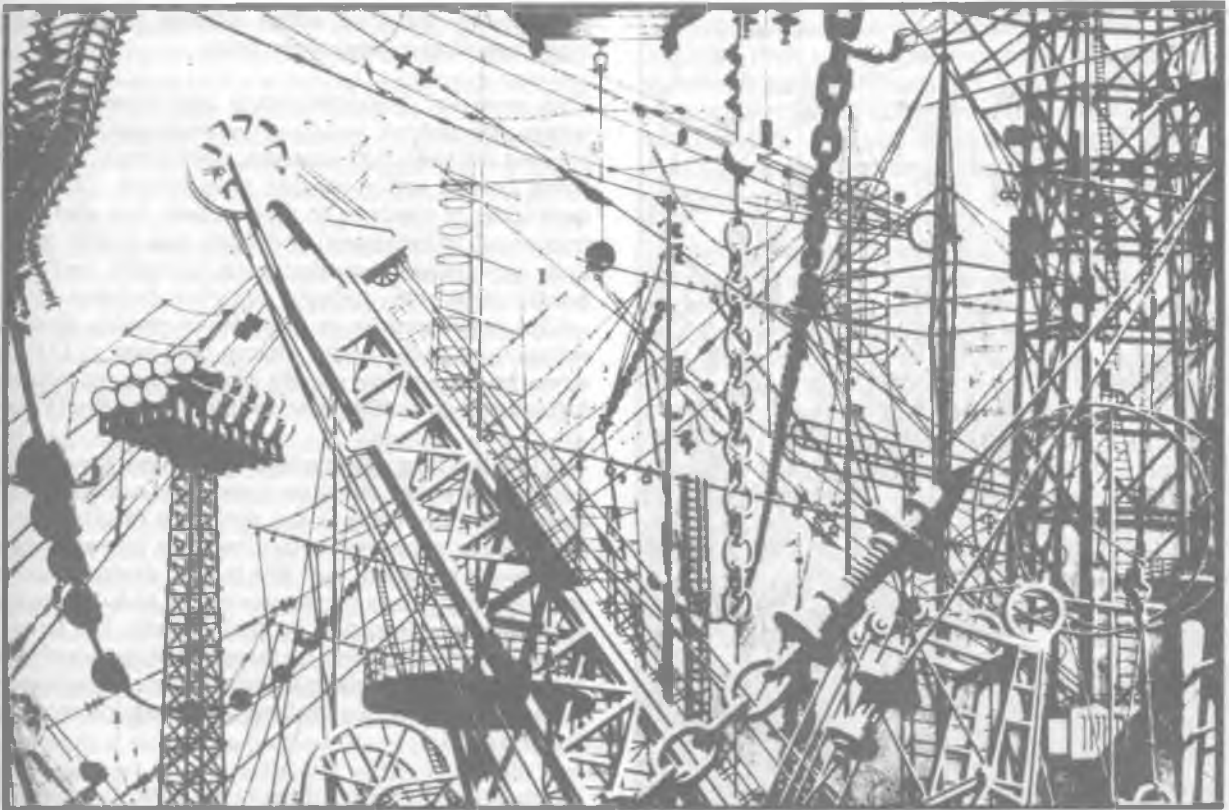
*The fall of the 'planned' economies and the rise of the radical Right almost buried the Left in the 80s. For many, socialism is past saving. Paul Hirst disagrees. He argues that an alternative socialist tradition offers some radically new directions.*

**T**he future of socialism is often debated as if socialism had a single past. In the 1980s the radical Right have tried to bury socialism. One of their best tactics in doing so has been to identify socialism with the authoritarian states and failing economies of the communist world. Western socialism can then be presented as a lesser version of this greater failure, but sharing essential features of authoritarian collectivism and economic stagnation. Socialism is defined by the Right in terms of the triad of collective ownership, state intervention and centralised planning, and it is still defended by some of its supporters in those terms.

The vast majority of socialists, however, recognise the need for a more libertarian political creed compatible with an open society. Some radical revisionists think it necessary to go outside the socialist tradition altogether in order to do so. They embrace the free market and redefine socialism in terms of liberal democratic theory. This is to behave as if there are no socialist sources for a libertarian socialism. In fact certain important socialist doctrines have been strongly anti-collectivist and opposed to centralised public

ownership. They have also been strongly anti-statist, advocating reliance on the self-governing activities of freely associated individuals. Associational socialism is the most valuable alternative to the undiluted individualism of the free-market Right and to the centralist and authoritarian trends in modern society.

Associational socialism, which flourished between the 1840s and the early 1920s, was a third force in the history of socialism, distinct from both bolshevism and social democracy. It embraced a variety of movements and ideas, including Proudhon and the mutualist and syndicalist traditions in France; William Morris and the Arts and Crafts movement; and G D H Cole and the Guild Socialists in Britain. Associational socialism often won the battle of ideas; only to lose out to other socialist movements which relied on the more effective means of either electoral or insurrectionary politics. In an era of world wars, big government and highly concentrated industry, associational socialism came to seem an irrelevancy. Its stress on self-government and local autonomy ran counter to a period in which there were strong imperatives to central control. Because it believed in the virtue of voluntary action in civil society, it neglected the forms of political action necessary to create a state sympathetic to such voluntary activity and also failed to compete with other political forces to influence the existing state. The associational socialists were pushed aside by the 1920s. Yet the view of the associational socialist tradition as utopian and unworldly is quite



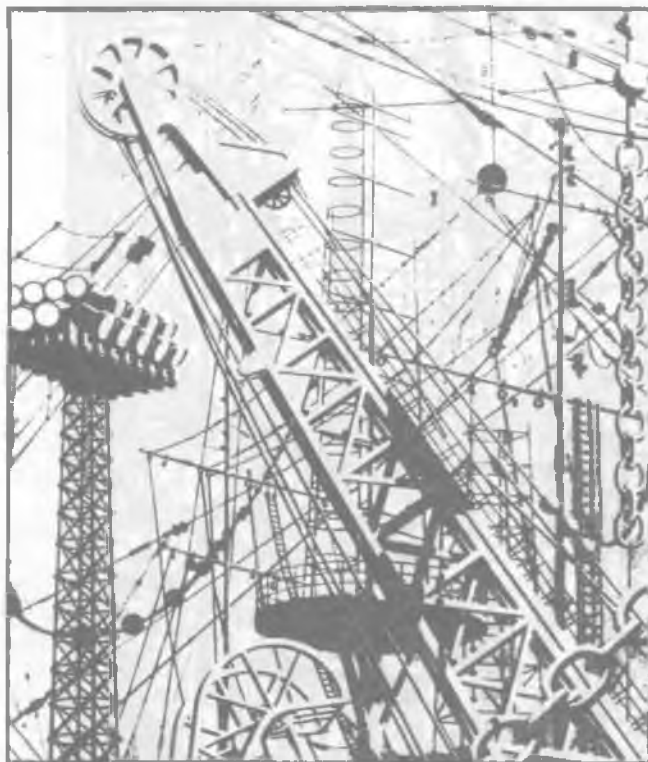
wrong. Associationalism was not inherently impractical, rather it required the right context in which it could become practical politics.

The major wars of this century promoted centralisation and bureaucratic control; tendencies inimical to the autonomy of self-governing associations. The wars also gave the political rivals of libertarian socialism the conditions in which to flourish. However, in the 1980s the international environment changed radically—and perhaps irrevocably—with the end of the second Cold War. The transformation of East-West politics, the pace of reform in Eastern Europe, and the prospect of at least partial demilitarisation all weaken the imperatives for centralised and secretive state security institutions to dominate national politics. A movement that seemed naive in the 1920s can profit from the liberalisation of Great Power politics in the 1980s.

Associational socialism may also benefit from recent economic changes in the West. The imperatives towards the large scale in industrial organisation have been perceived to be closely connected with standardised mass production for homogeneous mass markets. However, since the OPEC oil price shock and the consequent world depression of the early 1970s, markets have both internationalised and differentiated. Markets have become more volatile, product ranges have differentiated and firms have now to contend with changing demands for a more varied range of products across a series of national markets with specific characteristics. This undermines the relevance of 'economies of scale' and encourages firms to change their production methods to permit more flexible output.

In such an open international economy, in which the major industrial nations trade manufactured goods ever more intensively one with another, there is less scope for purely national regulation. The social democratic strategy of using Keynesian measures to boost national consumer demand and thereby sustaining mass markets has given way to more complex strategies for preserving the local manufacturing base, particularly at the regional level. In such a competitive and rapidly changing industrial environment the scope for a central state-directed industrial policy is much reduced, thus undercutting the traditional socialist advocacy of 'planning'. The two major forms of active state intervention, Keynesian macro-economic management and *dirigiste* planning, are thus both weakened as socialist answers to the problems of economic policy.

In this new environment both regional economic regulation and small-to-medium scale firms have grown in importance. But at the same time, other quite contradictory tendencies have developed and these are most marked in the USA and Britain. If the logic of industrial concentration based on economies of scale in production has weakened, the purely financial pressures towards concentration of ownership have accelerated. The divorce of financial operations from the direct investment in new industrial plant and processes, conjured up in the phrase 'casino capitalism', has led to the concentration of ownership of industry based almost solely on stockmarket opportunities. The acquisition and take-over of firms is often devoid of manufacturing or marketing logic. In this context, top management becomes ever more powerful and yet more remote and unaccountable. The operations of subsidiary firms will thus tend to suffer from such remote



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control. It can hardly be a matter of chance that it is Britain and the USA that have shown the greatest import penetration and consequent de-industrialisation. These countries have participated least in the recent changes towards flexible specialisation in production and the regional regulation of manufacturing sectors.

The financially-based conglomerate holding companies lack a *raison d'être* in economic necessity; they are not essential for the organisation of manufacturing. They are beyond the control of the formal machinery of shareholder representation and are unaccountable to their employees. Industrial concentration without economic rationality turns large-scale firms from a source of economic strength into a very real weakness. It represents a form of pure ownership increasingly divorced from managerial necessity. Traditional socialist remedies such as nationalisation do not offer an answer to such concentration, since the component parts of such conglomerate companies make little industrial or administrative sense when gathered together. Decentralisation and the promotion of economic self-government offer the best prospect of a form of industrial organisation in which the major contributing interests—the providers of capital, management expertise

and labour—have an active interest in the continued manufacturing success of the firm.

This need for democratisation and decentralisation is where associational socialism becomes relevant; because it stresses above all that economic units should be co-operatively owned self-governing associations. The tradition undoubtedly needs to be modernised. It is also true that traditional associational socialism was highly workerist and emphasised manufacturing industry, and it could hardly cope with today's complex division of labour within the enterprise or with the increasing diversity of occupations in the wider society. However, G D H Cole's stress on organising society on the basis of voluntarily formed self-governing associations was basically correct.

The Left has been mesmerised by statism. Even moderate democratic socialists have constantly advocated giving more and more tasks to the state. The result, when such advocacy is successful, is to give more power to the state and less to socialists, and this in turn drains socialism of creative energy as a social movement and diverts it from constructive enterprise in civil society. We have built socialism (or rather tried to) through the agency of the state and encouraged passivity in the recipients of state services. Yet we wonder why socialism is no longer a mass movement.

The more tasks that are given to the state, the greater is the stake in controlling it and the more the state can take away if control changes hands. Socialists in the West, just as in the East, have seen the need to 'capture' the state, to make certain changes in policy 'irreversible'. Yet such a vision is hardly compatible with a pluralist society, in which there are other groups and social projects than socialism. It rests on the belief that socialists have a natural majority in society and, therefore, a right to a monopoly of effective political power. This belief has been widely held by democratic socialists; it is not a peculiarity of the authoritarian Left. This belief is almost inevitable if the state does come to control more and more of the affairs of society. Democracy becomes a battlefield; the only issue, who shall control the levers of power?

As the state has directly provided more services, so the individual has enjoyed less and less liberty in determining how they are provided. The recipient of collectivised services administered by officials, the individual is also increasingly likely to work for a large private organisation in which she or he has little or no say. The growth of state activity has not checked the growth of big business: often it has actively promoted it. The result is to place much of the affairs of 'civil society' into the hands of unaccountable private governments that dwarf many pre-20th century states in size.

If socialists could accept the idea of a state that facilitated the work of democratically run associations in providing work and welfare, then they might have some chance of finding a more secure future for socialism. Democratic socialists seek to encourage co-operation, mutual assistance, fellowship and the greatest measure of equality attainable. They are not necessarily tied to particular social

Institutions like state ownership or central planning in meeting these objectives. Understood in this wide sense socialism can co-exist with a society of plural organisations and differing objectives. It could build its institutions of co-operative work and mutual assistance alongside other active groups of citizens and their projects; religious groups, ethnic communities, lifestyle communities, etc. A socialism committed to a pluralist society and to concentrating on organising social life through self-governing associations in civil society would pose less of a threat to others than a statist socialism, and might therefore expect to command more support. In particular, it would be more open to green conceptions of social organisation and to coexisting with green associations.

A challenge to statist socialism does not mean a return to the marxist illusions of 'smashing' the state. On the contrary, even if as many social activities as possible are devolved to self-governing associations in civil society, there will still be a need for a public power to regulate the actions of these associations and to ensure that they have the resources to carry out their tasks. A pluralist society with diverse social projects needs a public power to ensure order, but that public power need not be a 'sovereign state'; that is, a state claiming the exclusive control of power, asserting its primacy in every social domain, and imposing itself through a single centralised hierarchy. A pluralist state—as conceived by such English political pluralists as J N Figgis, G D H Cole and H J Laski—would be based on a quite different principle: that the state exists to protect and serve the self-governing associations.<sup>1</sup> The state's powers would be limited by its function and such a state would recognise the inherently plural nature of all free social organisation. Pluralism requires that distinct locally and functionally specific domains of authority should have the autonomy necessary to carry out their tasks. This pluralist conception of the state is essential to a libertarian society, for 'decentralisation' and devolution' of power will accomplish little if all they do is to recreate centralised authorities at lower levels.

Traditional state socialists raise two major objections to such a society of self-administering associations. The first is that while self-governing firms may give employees more say within the workplace, the wider economy remains anarchic and at the mercy of the 'laws' of the market. This, however, is to treat the market economy as if it were a single self-sufficient system divorced from control by the wider society. There are no 'laws' of the market; rather there are specific markets with diverse social conditions and consequences. Markets are embedded in social relations, and it is these relations that play a major role in deciding how markets work. Moreover, there are other ways of organising an economy than centralised planning. Associational socialists like Cole always stressed the important role of voluntary co-ordination between associations at national, industry and local levels. Some of Cole's conceptions of how to accomplish such co-ordination were naive, but this does not diminish his general point. There is much evidence that those national and regional economies that achieve such patterns of co-ordination, that provide for the effective consultation of social interests and that support firms with a surrounding network of social

institutions which provide essential services, are the ones that have been most successful under modern conditions of manufacturing competition. West Germany, Italy and Japan offer excellent examples of different patterns of such co-ordination. It is the most unregulated 'free-market' economies in the West, Britain and the USA, that have done least well.

Centralised state planning is, moreover, no answer to the supposed inherent anarchy of the market. Planning produces its own anarchy, its own distortions of economic behaviour and its own corruptions. This brings us to the second objection. This is the claim that a system which assigns most welfare tasks to voluntary associations must produce inequalities in provision, benefitting some households and localities at the expense of others. Yet this inequality is just the result that centralised bureaucratic welfare systems have managed to accomplish. Nothing, moreover, prevents the state in such an associationalist system from enforcing minimum standards on associations in receipt of public funds or from providing its own welfare safety net.

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In such an associationalist society there would be public funds raised by taxes and there would be capital markets to provide investment resources for firms. Voluntary associations would not finance all social activity through flag days. The state could, for example, collect an 'associational tax' as a substantial percentage of total tax revenue, and allow taxpayers to nominate, say, about 25% of their associational tax payments to a limited number of organisations (perhaps five to ten). That would prevent all revenue going to cats' homes and the like. The state would then distribute the bulk of the remainder of the associational tax according to the registered membership of associations and retain a reserve for meeting shortfalls. Such a system would ensure funds would flow towards the more popular associations. Moreover, industrial finance would become a mutually owned sector. Firms would establish credit unions; pension funds, insurance companies and so on would lend to industrial banks and buy industrial associations' bonds. Self-governing firms would thus have access to external sources of capital and would be subject to the disciplines of borrowing at interest on organised capital markets.

Such a society is administratively and organisationally feasible. It is not a utopia, nor does it—as most utopias do—make unwarranted assumptions about human stamina and motivation. Self-governing associations need not be participatory democracies nor need they be small-scale: representative elections and a professional management answerable to a democratic governing body may well be sufficient for most purposes. Many voluntary associations at present are of this nature, and providing they perform their tasks well enough, members are happy to subscribe and do no more than vote for the existing council.

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A society of self-governing associations leaves people free to choose the extent of their involvement. It does not compel endless hours of voluntary service above the demands of home and work.

But how to create a society of associations? How to tackle the current big corporations? How can one seek the greatest measure of equality possible when top tycoons are paid up to \$1 million a year? Clearly, big business would regard the conversion of firms into self-governing associations with horror and would resist it root and branch. But if the public could be persuaded of the virtues of democratically accountable business, top managers would find themselves in the predicament that they are relatively few in number and that even executives in their subsidiary firms might welcome a reform.

If a reforming government tried to convert existing firms into self-governing associations, what would that involve? Firstly, making management accountable to the relevant interests represented on a supervisory board of a company—let us assume that shareholders, employees and community interests have equal importance and that they should each elect one-third of the board. Secondly, creating a single membership status—all permanent employees to have the same rights and conditions of service, from the managing director to the lavatory attendant. Let us assume that inequalities in income will be flattened, to create a ratio of no more than 1:8. Thirdly, in instituting a comprehensive system of co-determination, participation and consultation at all levels within the firm.

This is not so radical as it might appear. West German firms have comprehensive industrial democracy and co-determination measures, while many Japanese firms have

single employee status, and in the period of most dramatic Japanese growth many companies had very low salary differentials.

Measures likely to be unpopular with influential people need to be practical. How could these changes be applied to big conglomerate firms? While many aspects of industrial concentration may be economically unnecessary, there are many cases where large-scale organisations are essential. How can these organisations be effectively run by democratic methods? The simple answer to this is that if we believe states can be made democratically accountable to their citizens to some significant degree, then companies surely can. But let us accept that the structure and operations of a complex company may be difficult to understand and therefore difficult for representatives to govern. There are then two answers: unscrambling into their component parts those companies where size has little economic logic and creating different organisational structures for those companies where large-scale operations are necessary.

Firstly, large size can be attained by partnerships of semi-autonomous sub-units: firms that share work and contract one with another; firms that subscribe to marketing networks; firms that create collective bodies to represent their common interests or to provide common services such as training. These links can be by inter-firm co-operation alone or through linkage with and co-ordination by public bodies. In such cases firms enjoy all the advantages of scale, without the participating units becoming too large or complex to be democratically governable. These relationships are already common in the most successful regions of the Western industrial economies and, far from being pie-in-the-sky, are widely identified as a key source of industrial efficiency, as many contributors argue in my edited collection (with Jonathan Zeitlin), *Reversing Industrial Decline*.

Secondly, large firms can be stripped down to a 'core' of absolutely necessary activities that must be under direct control. Such a core might well be strategic management, research and development, and some crucial manufacturing operations. To get down to this core firms would follow a strategy of 'internal' privatisation; sub-contracting non-core activities to co-operatives, promoting labour/capital partnerships and management-worker buy-outs of peripheral activities. For labour-intensive core activities the firm would contract with a labour co-operative on a fixed term deal. The result would be an economy of modestly sized units, capable of operating in combination on a very large scale. None of them would justify vast differentials of income, since firms would be smaller than the conglomerates of today and their internal hierarchies would be flatter. The overpaid top managers could be bought out as their positions were abolished by reorganisation.

Such a process of turning firms into associations and stripping them down by internal privatisation would create an economy based on manageably sized and internally accountable units. It would offer an end to the servile state, in which most people earn their living as employees without either a stake in or a measure of control over their

workplace. It would also create a genuine 'enterprise society' in which there would be scope for individual initiative and responsibility. As Figgis argued persuasively, it is difficult for individuals to pursue freedom except by freely associating with others. In an enterprise society based on self-governing associations, individuals have both opportunities for choice and the power to make those choices stick. Such a society permits a wide range of competing associations, and therefore choice based on genuine pluralism, and all the advantages of large scale where necessary, without unaccountable hierarchy. Through associations, such a society offers to its citizens unparalleled opportunities for individuation and freedom.

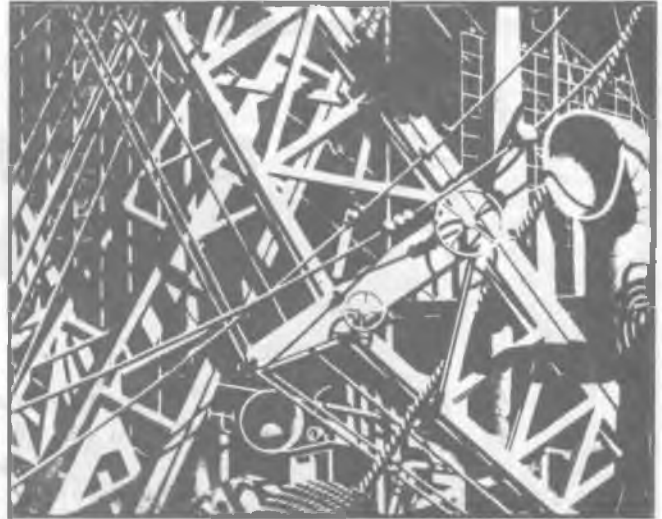
I have tried to indicate the ways in which an economy of self-governing associations would be possible and defensible against the hostility of management. But what about the unions? Surely, they have as much to fear from the growth of self-government at work? What would be the place of unions in such a scheme? The answer is: stronger certainly than in either state socialism or corporate capitalism, and more constructive than in either of them.

In an economy of self-governing associations the majority of workers would still receive the main part of their income in wages. There would be a positive right to strike, but the combination of internal self-government in firms and the unions' participation in comprehensive measures of collective wage determination would be designed to make strikes measures of last resort.

The system of self-government in firms would be based on free votes of individual employees rather than through the union branches, thus maintaining the unions' independence and also preventing them from taking control of firms' internal decision-making procedures. Unions would therefore remain voluntary bodies to which individual workers could choose to subscribe. Like every other association they would be required to meet minimum legal standards of democratic self-governance. They would have the power to enforce fair contracts for employees; firms could not create 'labour rackets' under the cover of self-government.

In an associational welfare system the unions could greatly extend their role as providers of welfare and other services compared with their position today. Unions would potentially control very large funds to use for the benefit of their members. They would also contribute to training policy through co-determination machinery and control training funds and offer training themselves.

Unions would not, however, directly organise or own production (such activities would be *ultra vires* under associational law). Thus associationalism would be quite unlike syndicalism. Workers would be free not to join unions and the self-government procedures of firms would be independent of the unions. Workers, therefore, would not be compelled to be part of a rigid corporatist structure, and unions would have to win and keep members to ensure influence. Workers would have the union to protect them if for some reason a firm became riven by factional strife or dominated by a management clique. They would



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also have unions to ensure that their job rates, skill classifications and training were protected. Unions would have an interest in and would help to maintain labour mobility and, therefore, the liberty of the worker.

Because it can be adapted to large-scale industry and permits a complex division of labour, associationalism is one of the few 19th century social doctrines that remains fully relevant today. It combines liberty with effective management, and decentralisation and self-action with professionalism and efficiency. It offers a radically greater range of choice than most other social doctrines: greater consumer choice than state socialism and more real choice for the worker than corporate capitalism. Associationalism also allows diverse groups to choose their own form of social organisation: it offers possibilities of self-action to religious and other groups as well as to socialists. Because it avoids the authoritarianism of a socialist society fit only for dogmatic socialists, associationalism may appeal to enough groups in society for them to tolerate it and work along with it. It is the only socialist doctrine of which this can credibly be said, and therefore it is, in the long run, the only practical socialism.

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1. See the author's recent *Representative Democracy and its Limits* (Polity, 1990); also Paul Hirst (ed) *The Pluralist Theory of the State: G D H Cole, J N Figgis and H J Laski* (Routledge, 1990).