Economic democracy instead of more capitalism: core historical concepts reconsidered

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Introduction

“More capitalism” or “economic democracy” are . . . the signposts at the crossroads where the Swedes will have to make a choice during the 1980s’, the Swedish political scientist Walter Korpi wrote in 1983 (Korpi 1983: 3). Today we know only too well where the journey went and not only in the stronghold of social democracy in the North. Everywhere in Europe the social democratic left was driven back into defensive positions during the 1980s and 1990s. In the short-lived revival of centre-left governments at the end of the 1990s, most of them did not even try to stop the trend towards ‘more capitalism’, let alone develop ambitions of ‘economic democracy’.

In purely defensive struggles, however, trade unions were often quite successful. Here Switzerland offers some striking examples, although it is far from being a social democratic stronghold like Sweden. The Swiss unions defeated in referendum votes neo-liberal attempts to deregulate labour legislation in 1996; the supply of electricity in 2002; and the first pillar of the old age pension system – a universal pay-as-you-go social insurance covering basic needs – in 2004. It is part of the tragedy of contemporary social democracy that it is not able, or perhaps in some cases also not willing, to transform these defensive successes of the trade unions into new strategies for social democratic change in economic and social relations. As the left wing of the Social Democratic Party of Switzerland argued, for example, the successful referendum against the deregulation of the supply of electricity should have been an important occasion to start a debate about the concepts of economic and industrial democracy.¹ The defence of public services has proved to be a popular issue – in contradiction to everything mainstream opinion leaders (including those on the left) say. But the successful defence of public services should also be taken as a starting point for a new move forward in the struggle to extend democracy from

the political to the economic spheres of society. Even the biggest defensive victories against neo-liberalism will only have a limited effect if labour does not succeed in breaking the mega-trend towards 'more capitalism', which is at the root of the neo-liberal project.

Studying the history of socialist and democratic theories is an important precondition for articulating and popularising these theories in contemporary politics. This chapter therefore takes a historical approach. It evaluates some of the more important projects of economic and industrial democratisation in the past. Its focus is on projects in highly developed capitalist states with a democratic constitution. Space does not allow an analysis of reform-minded forces in the nations formerly dominated by communist parties (e.g. the Yugoslav system of self-management; the council movement in the Hungarian uprising of 1956; or the reforms during the 'Prague Spring') or initiatives in the developing world. Instead, the chapter focuses on those developments that were most influential in the capitalist West: first, guild socialism in Britain and the combination of the council movement and socialisation in Germany and Austria after the First World War; second, the international socialist discussion on 'plannism' in the 1930s; and third, in the 1970s, attempts to strengthen 'co-determination' in West Germany and to introduce wage earners' funds by the Swedish trade unions.

The German experience

Economic democracy is indeed often closely associated with the German system of co-determination. I would argue, however, that German-style co-determination can only realise a very limited democratisation of the economy. In essence, 'co-determination' refers to the involvement of employee representatives in company decision-making, either through democratically elected works' councils or the representation of workers in the strategic leadership of large companies. The main benefit of the representation of workers in supervisory boards is that they are better informed about company decisions. One beneficial effect of such a legally regulated works' council system is that it can strengthen both trade union recognition by employers and internal democracy inside unions (Fishman 1997: 39).

However, the ability of workers in Germany to actually co-determine decisions remains limited by economic and legal constraints. The co-determined companies have to face competition from companies without co-determination on international markets, and legally the co-determination law still assures a majority for the representatives of the shareholders in critical cases. Several cases where trade unionists and works councillors represented on supervisory boards were not able to resist

the temptation of corruption have moreover shattered the credibility of the system. Meanwhile, the 'dual system with separate spheres for unions and works councils' has for a long time primarily acted 'to complement the "responsible" wage bargaining of the unions by encouraging a collaborative search for positive-sum outcomes at company level'. However, in the last two decades it has quite often led to 'company-level productivity coalitions . . . which could undercut the unions' own official policies' (Hyman, 2001: 120, 129). The German institutions are therefore *one* possible way to advance greater workers' participation in economic decision-making but not the only one.

From political to social democracy

The concept of industrial democracy was probably first used in 1897 by Beatrice and Sidney Webb in their book *Industrial Democracy* (Vilmar 2002: 41). The notion for them merely meant trade union activity and free collective bargaining. The concept of industrial democracy used in this chapter is the far more ambitious socialist project of democratising economic life by ensuring worker participation in industrial decision-making. As Fritz Naphtali has argued, it was not a mere 'coincidence in the development of ideas' that the notion of industrial democracy only became relevant in daily political work after the First World War, since 'the idea of economic democracy could only come into being in a nation when labour in this country already had a certain amount of experience with *political* democracy' (Naphtali 1977: 22–4). In an earlier historical stage the labour movement – and even Marx and Engels in the *Communist Manifesto* – assumed that political democracy would immediately lead to working-class rule. Only after the labour movement had gained more experience of political democracy – and in most countries this was only the case after the First World War – did it become clear that bourgeois rule could still persist in a democratic state.

Naphtali's book *Wirtschaftsdemokratie*, the classic in the debate about industrial democracy, was a strategy for the German socialist labour movement in the short economic boom of the 'roaring twenties' between 1923 and 1929 (Naphtali 1977 [1928]). It can be seen as a comprehensive summary of the socialisation literature of the period following the First World War (Krätke 2002: 61). Interestingly, co-determination at company-level played only a marginal role in Naphtali's conception (Bontrup, 2005: 129–30). Naphtali argued that works' councils could only become true institutions of economic democracy in an 'organised' economy controlled by the unions. Without this framework, their role remained limited to controlling how laws and collective agreements were

put into practice at company level (Naphtali 1977: 172–4). Naphtali's comprehensive conception of economic democracy went far beyond demands for workplace co-determination. It also included the extension of the public and co-operative sector of the economy; the democratisation of international, national, regional, local and branch-wide economic chambers, associations and cartels; and the further development of social legislation (Naphtali 1977: 194–200).

Naphtali's statement on the necessity of political democracy as a base for the development of a campaign to democratise the economy is well illustrated by Switzerland where universal (male) suffrage had existed at a national level from 1848. Albert Steck, one of the founding fathers of the Social Democratic Party of Switzerland, wrote reflections on economic democracy which were very close to later discussions; he placed industrial democracy at the centre of his definition of social democracy as early as 1890: 'We want . . . social democracy which . . . also includes political democracy as one of its essential parts. Social democracy is an all-embracing rule of the people and can only be achieved through the rule of the people over the nation's means of production' (Steck 1890: 118). It is in this basic thesis that the most striking relevance of industrial democracy for a modern social democratic policy is to be found. In my view, social democracy – literally understood as a movement struggling to democratise the whole of society – is simply not possible without industrial or economic democracy (for further reflections along these lines, see Chapter 13 in this book). Democratising the economy is inextricably linked to preserving and sustaining the welfare state. It is no coincidence that the failure of the last serious attempts to democratise the economy in the 1970s and 1980s led to a reactionary counter-offensive against Keynesianism and the welfare state. Even inside social democratic parties, social-liberal tendencies have developed which discard not only the aim of a democratic-socialist transformation of society, but along with it a credible and consistent position defending the historical achievements of the labour movement. Moreover, industrial democracy and social democracy are both necessary for sustaining political democracy. This is even more evident today than it was one hundred years ago in light of the loss of sovereignty of the nation-state – the main space for political democracy – through the process of globalisation. The concentration of economic power within one nation-state, for example Berlusconi in Italy, can also undermine a democratic political culture.

The debate on socialisation after the First World War

The period following the First World War and the Russian, German and Austrian revolutions marked the first zenith of economic democracy. The

reason for this was twofold. First, the institutions of the war economy had already established a significant level of state planning, centralisation and regulation within the framework of capitalist economies. Trade unions' involvement in this process had been critical – particularly in Britain and Germany. Without union leadership, the effective functioning of the war economy would have been impossible (Fishman 1997: 32). In the first years after the First World War, there appeared to be the political will to retain some of these war-economy institutions for peaceful purposes instead of going back to 'free enterprise'. But the political motivations for this differed greatly. While many socialists saw in the war economy institutions a nucleus for a socialist economy, bourgeois technocratic reformers like the German Walther Rathenau viewed them primarily as a means to increase productivity (Maier 1981: 336). Second, there was the pressure of the revolutionary council movement in Eastern and central Europe, and also a more militant form of trade unionism in the *entente* and neutral countries. Besides the German and Austrian *Räte*, there were also the *consigli di fabbrica* in northern Italy and the shop steward organisations in Britain (Maier 1981: 334–6). These were a manifestation of a degree of mobilisation and radicalisation not seen before the war. The political strikes organised by the German council and socialisation movement between January and April 1919 put industrial and social democracy – viewed as a necessary base to defend the young German political democracy – squarely on the political agenda (Oertzen 2004: 345–51). The lack of food, shelter and other basic goods had also led to a militant mobilisation of consumers during the war, mainly initiated by women with a working-class background.² As a result of these developments, expert commissions studying the question of socialisation were established in many states. However, in the post-war crisis between 1920 and 1923 the bourgeoisie regained most of its strength and ambitious socialisation projects remained mostly on paper. A crucial exception was the *Betriebsrätegesetz* of 1920 in Germany (an act concerned with industrial councils). It was in origin a concession to the far more radical aims of the council-movement of spring 1919 (Oertzen 2004: 248–9).

It is often forgotten that the German and Austrian theoretical discussions of industrial democracy in this period were inspired by British 'guild socialism', as developed in the work of G. D. H. Cole. Guild socialism for the first time explicitly made the distinction between on the one hand 'industrial democracy' and the genuine socialisation of the means of production, and on the other nationalisation (i.e. management by a state bureaucracy as in the pre-1914 state-owned railways in Prussia and other European countries and later in the Soviet Union's comprehensive nationalisation of industry). Guild socialism also differed from syndicalism in the sense of a takeover of enterprises by the workers. While guild socialism had

originated in syndicalism and therefore had a strong emphasis on workers' control, it also stressed the importance of consumer representation, which it saw as a 'natural' duty of the state (Hirst 1994: 101–10). While under guild socialism the state as the representative of consumers was to own the socialised industries, these would be administered by industrial unions transformed into the new form of 'guilds'. Workers' control of products and production would thus be established and the wages system abolished (Cole [1917] 1972).

As Rudolf Hilferding argued in his foreword to a German translation of Cole's *Self-Government in Industry*, guild socialism offered a synthesis between the syndicalism of the French trade unions and the American Industrial Workers of the World and the collectivist approaches of the Fabians and other more statist interpretations of socialism (Hilferding 1921: iv–ix). In the words of the leading 'Austro-Marxist' thinker Otto Bauer, who, after the Austrian revolution, was Austrian minister for foreign affairs and socialisation for a short time in 1918–19, 'guild socialism transmitted the historical experience of English democracy' and its characteristic system of local self-government 'from the political to the social area'. Bauer developed his own concept of socialisation. It was strongly inspired by the main assumptions of guild socialism, although he did not copy it in every detail. He conceived of industrial democracy and not Russian-style war communism or the dictatorship of Soviets as being the way to socialism for central and Western Europe (Bauer 1920: 328–30). He also rejected state management of industry, fearing that it would lead to a concentration of executive power which would be dangerous in any democracy. According to Bauer, the socialist aim was thus not limited to mere 'nationalisation' (*Verstaatlichung*), but was rather a genuine 'socialisation' (*Vergesellschaftung*). In his concept of socialisation an institution which is also the focus of today's discussion about corporate governance played a key role: 'Every socialised industry will be led by a board of directors; but this board of directors will no longer be elected by the capitalists, but rather by those groups in the population whose needs the socialised industry will then have to satisfy'. Boards of directors of socialised industries should therefore consist of representation in thirds: 'A third of the members of the board of directors . . . is determined by the trade unions. A second third . . . is formed by the representatives of consumers. The final third of the members of the board of directors comprises the representatives of the state' (Bauer 1919: 96–7).

But none of these ambitious projects were realised. And with the rise of fascism first in Italy and then in Germany and Austria, there was the imminent threat that the contradiction between capitalism and democracy would be 'solved' by abolishing democracy in the political sphere.

The fascist regimes used the dictatorial power they had obtained with the help of the big corporations and old aristocratic elites to crush violently the labour movement and all elements of industrial democracy – free collective bargaining and works' councils – which had been achieved in the 1920s (Hyman 2001: 146).

Industrial democracy and plannism

In the 1930s, democratising the economy was an important aim of the international movement for 'Labour Plans'. The plannist movement was conceived as an alternative to the activist propaganda of fascism for both public investment programmes and an authoritarian 'corporate order'. Influenced by the WTB-Plan of the German Trade Union Confederation of 1932³ the Belgian psychologist and revisionist socialist Hendrik de Man wrote the first 'Labour Plan' for the Belgian Labour Party (POB, BWP) in 1933. A spin-off of the Belgian plan was the invitation from de Man and Hans Oprecht, the general secretary of the Swiss public sector union, to plannist thinkers from different European countries to meet in the Abbey of Pontigny in northern France in 1934. In 1935 the Swiss, Dutch and Czechoslovakian social democratic parties also adopted 'Labour Plans'. The Socialist Party of Switzerland published a new version of its plan in 1942. Named the 'New Switzerland', this document had an even stronger focus on industrial democracy and stressed what it called 'the free, co-operative tradition' of Switzerland. It was the most important but also the last programme of structural reform to be published by Swiss social democracy.

Of striking relevance to our contemporary situation remains the combination put forward by the different Labour Plans of industrial democracy and a quasi-Keynesian anti-crisis strategy promoting the purchasing power of both the industrial working class in a strict sense as well as other allied social groups, such as white collar workers, small farmers and the self-employed. However, the plannist concept was not translated into action in any of the countries where the labour movement, or parts of the movement, had adopted it. De Man's shattered hopes of realising the plan in the framework of democracy led him to become an admirer of the allegedly 'organising' and 'anti-capitalist' practices of the fascist regimes (Pels 1985: 148–50; Sternhell 2000: 343). He thus moved closer to anti-Marxist, activist and technocratic–elitist thinking. This tendency peaked in a short and unsuccessful attempt at collaborating with the Nazis during the occupation of Belgium in 1940.

However, de Man's drift to the right did not invalidate his earlier convincing attempts to claim the then fashionable notion of 'corporatism' for the left. In his pamphlet *Corporatisme et Socialisme* he pointed to the existence

of free trade unions and political equality as the decisive elements distinguishing democratic corporatism, to which the labour movement should aspire, from the authoritarian corporatism promoted by fascism (Man 1934: 32-4). It is evident that institutions of economic self-government are not a danger to political democracy per se. They can become a threat, however, when they are used to usurp parliament's key functions instead of complementing it in areas that hitherto have not been part of democratic decision-making. A strategy for industrial democracy therefore also has to defend political democracy. And it has to remain in touch with the defence of the economic interests of the working class. This was precisely what was lacking in de Man's thinking. In his 'psychological' revision of Marxism in the 1920s he considered exploitation as an ethical rather than an economic problem. This approach was already being disseminated by Mussolini, who shared with de Man and the German sociologist Robert Michels – a convert from syndicalism to fascism – common ideological roots in the 'revolutionary revisionism' of the French syndicalist thinker Georges Sorel (Sternhell *et al.* 1999: 310–12).

Economic democracy after the Second World War

The power of the trade unions was strengthened after the Second World War in many countries. In the immediate post-war period there was a strong tendency to the left. Capitalism was perceived as the system that had led to two world wars, the Great Depression and fascism. It was therefore widely believed that it ought to be replaced by an alternative social system. Consequently, there were radical reforms strengthening some elements of industrial democracy in many countries.

While in the United Kingdom, France, Italy and Austria there was a wave of nationalisations in key industries, in Germany co-determination at the company level was strengthened:

The industrial tycoons who had made their peace with Hitler – indeed had helped him to power – were discredited, and initially there was consensus among the occupying powers that the former concentration of economic ownership in private hands must never again be permitted. The trade unions were seen as the most reliable guarantors of a new, democratic Germany, not least by the Labour government in Britain. (Hyman 2001: 117)

The 'basic programme' of the German Trade Union Confederation of 1949 called for a comprehensive strategy for economic democracy in the sense used by Naphtali. It included not only co-determination at all levels of the economy, but also the socialisation of key industries. In the political climate of the cold war, however, such a strategy could no longer gather political support. The British occupation authorities finally accomplished

their reform of the strategic German iron, steel and coal industries not by public ownership, but by breaking up the huge conglomerates into smaller companies and by 'employee representation on the company supervisory boards and the appointment of a trade unionist as "labour director" in the management team' (Hyman 2001: 117).

These union rights gained under allied occupation were retained by the Adenauer Government after serious strike threats had been made by the German Trade Union Confederation. In exchange, trade union leader Hans Böckler, in direct talks with Adenauer, tacitly accepted the foreign and defence policy which was leading the Federal Republic into the Western bloc (Bontrup 2005: 134). Outside the mining and steel industries the 1952 Industrial Constitution Act (*Betriebsverfassungsgesetz*) was much more moderate. It largely re-enacted the legal framework of 1920 which had been abolished by the Nazis in 1933. The unions had demanded more influence in works' councils, including for works' councils to have 'significant veto powers over management decisions', and for trade union nomination rights for the workers' representatives on supervisory boards (in companies with more than 500 employees outside iron, coal and steel, one-third of the members of these boards had to be workers' representatives). But these demands could not muster a majority in parliament. In the final vote, they were rejected by both social democratic and communist parliamentarians (Hyman 2001: 117–18; Bontrup 2005: 135–6; Oertzen 2004: 255–7).

The expectation that the post-war reconstruction period would lead to the victory of the interventionist concepts of the left over the capitalist free market was frustrated as the 'golden age' of capitalism got under way (Hobsbawm 1994). Instead there was a revival of 'pro-market views' (Sassoon 1997: 190). German co-determination remained restricted by this political climate for many years. With the 1959 Bad Godesberg programme the political vision of the SPD became that of a 'co-decided market capitalism' (Höppner 2005: 216).⁴ It thus replaced an autonomous policy for the control of economic power with the conception of a 'social market economy' coined by the Christian-Democratic minister Erhard (Höppner 2005: 215; Hyman 2001: 118–19). But the left wing of the German trade union movement led by the president of the metalworkers' union, Otto Brenner, still strived for and further developed a more comprehensive approach to industrial democracy, including public ownership of key industries and democratic planning (Vilmar 2002: 40–2; Hyman 2001: 121–2).

Projects of co-management and self-government in the 1970s

At the end of the 1960s there was a revival of the debate on industrial democracy. In particular, the projects proposed by oppositional left forces in

the Soviet bloc were widely discussed, for example the ideas of the economics minister in the 1968 'Prague Spring' government, Ota Šik. Willy Brandt even won the West German elections of 1969 under the slogan 'let's dare more democracy'. One of the projects of his social-liberal coalition was an amendment to the Industrial Constitution Act in 1972. This brought about clear progress in co-determination: 'enhanced powers for works' councils, including influence over the working environment; and closer formal links between unions and councils. The number of works' councillors entitled to release from their normal duties was increased, and a new institution – the central works' council – was made mandatory in multi-plant companies' (Hyman 2001: 126). The Co-Determination Act of 1976, enacted during Helmut Schmidt's chancellorship, extended restricted parity co-determination beyond the borders of the iron, steel and coal industries. Now, in companies with 500–2,000 employees, one-third of the members of the supervisory board had to be workers' representatives, while in those companies with more than 2,000 workers, half of the members of the supervisory board had to represent the workforce. However, this

gave the unions a victory in form but a defeat in substance . . . one employee representative was to be chosen by middle managers (*leitende Angestellte*); while the chair of the supervisory board, who possessed a casting vote, could be appointed by the shareholder nominees alone if there was otherwise no agreement. Even this, however, was too much for many employers; many large firms subdivided their operations in order to evade the high size threshold, while in 1977 a number of companies and employers' associations brought a complaint to the constitutional court (rejected in 1979). (Hyman 2001: 126)

In 1999, 679 companies employing approximately 2.1 million workers operated with this form of parity co-determination. To put this into perspective, about 2 million companies employing approximately 34 million workers were operating in Germany during the same year (Bontrup 2005: 136–8).

Meanwhile, in France the left union alliance of socialists, communists and the left wing of the radical party urged far-reaching nationalisation and self-management (*autogestion*) rights in their common programme of July 1972. After the victory of the left in the 1981 elections, the programme was partially enacted (Sasson 1997: 538–40, 551–2, 563–4). However, the government reacted to pressures from the financial markets with a sharp swing to the right in 1983. This volte-face marked the end of this conjuncture of industrial democracy not only in France but in the whole of Europe.⁵

A major problem of the industrial democracy debate in this period was that the renewed self-confidence of trade unions and their commitment

to industrial democracy remained virtually isolated from the upsurge of utopian experiments in the new social movements. For example, both solidarity movements with the third world and the ecological movement established cooperative shops dealing with fair-trade or organic products and in many European countries autonomous youth centres tried to challenge the music business. The separation between these civil society initiatives and the trade unions meant that it was no surprise that the former often ended, as many other cooperative experiments had done before, either by retreating back into another large corporation or merely becoming an ordinary bourgeois enterprise.

Investment funds and industrial democracy: the experience of the Swedish wage earners' funds in the 1970s

Several recent socialist thinkers have argued that the basis of a future socialist mode of production lies in investment funds (Kremer 1998; Krätke 1997; Aglietta/Rebérioux 2005; Sjöberg 2004). In this context, the potential power of wage earners as shareholders through the growing importance of corporate and semi-public pension funds is often mentioned. The experience of the Swedish labour movement in what was probably the most ambitious plan for democratising the economy through collective capital formation in workers' controlled investment funds is therefore highly relevant (for further discussion, see Chapter 6 of this book)

In 1971 the Swedish trade union confederation (the LO) adopted a programme for co-determination and industrial democracy. At the core of the LO's conception of industrial democracy was a plan for investment policy elaborated by Rudolf Meidner, the leading intellectual of the Swedish labour movement and in the 1950s one of the authors of the Rehn–Meidner model for the Swedish solidaristic incomes policy. Through the means of so-called 'wage earners' funds' (*löntagarfonder*) the private sector would be placed under the gradually stronger control of the workers and their unions. According to this plan, 20 per cent of the annual profits of firms with more than fifty employees was to be transmitted to the funds in the form of additional shares. According to Meidner's calculations, the funds would have accumulated a majority of firms' capital in approximately twenty to forty years.

The context of this revival of industrial democracy among the Swedish trade union leadership was the increasingly paradoxical results of the solidaristic wage policy. It created 'excess profits, since the wages of the workers in the more profitable industries were kept lower than they would otherwise be, in deference to the principle of relating pay to the work performed and not to the employer's ability to pay' (Sassoon 1997: 707).

Workers' discontent with this situation was expressed in a wave of mostly wildcat strikes between 1969 and 1971. The proposed wage earners' funds were to ensure that wage restraint and high profits in these most profitable firms would be compensated for by the funds, within which greater workers' influence would become 'an alternative to controlling wages through unemployment – the solution adopted by the right throughout Europe' (Sassoon 1997: 706–8, 375).

Although originally conceptualised as complementary to the solidaristic wage policy, the Meidner plan nevertheless signified a step in a qualitatively different direction; it went to the heart of the capitalist mode of production (Sjöberg 2004: 31). Its project was fundamentally different from other profit-sharing models because it aimed not only at giving workers a share of the profits but also, in the long run, at giving them control over the means of production. The plan was accepted in principle by the Swedish Parliament in 1976. In the same year, however, the Swedish social democrats lost power in parliamentary elections for the first time since the 1930s (Sassoon 1997: 709; Sjöberg 2004: 36).

The failure of the wage earners' funds in the 1980s as a 'hegemonic turning point'

In subsequent years the forward march of Swedish labour became a retreat. The idea of the wage earners' funds had originated in a phase of radicalisation within the Swedish unions (1971–76). However, the public and parliamentary debate on the funds (1976–83), as well as their existence in the diluted form of several smaller regional funds shorn of their original anti-capitalist ambitions (1983–91), occurred at a time when labour was in a defensive position. The bourgeois bloc used the widespread fears of the wage earners' funds among the middle classes, and white collar workers in particular, to retake its 'hegemonic power' and thereby finally succeeded in destabilising the whole 'social-democratic model of welfare', the so-called 'people's home' (*Folkshemmet*). Sjöberg argues that precisely because labour did not succeed in moving from the welfare state to industrial democracy, the resulting social conditions enabled these groups to undermine the major historic achievements of the labour movement (Sjöberg, 2004: 31). The wheel of history turned backwards. Although most other European countries lack such concrete experience with a scheme to accumulate capital for workers, this thesis may be generalised. It might be one of the central political reasons for the success of neo-liberalism and also for the partial recognition of some of its major ideological mantras by important parts of the social democratic leadership in many countries.

Social funds as a future form of collective capital formation?

Besides growing difficulties in controlling investment nationally at a time when financial markets were increasingly becoming globalised, a crucial weak point of the wage earners' funds from the outset was their essentially syndicalist character. Large proportions of the population were excluded from participation in them, a point that bourgeois counter-propaganda successfully stressed (Sassoon 1997: 712–13). But the wage earners' funds were far from being the only initiative in that period that suffered from a productivist and syndicalist bias. It is notable that the discussions on industrial democracy after the Second World War were in most cases limited to demands for more workers' co-determination rights and greater public control. The demands for consumers' representation which had been so prominent in the discussion from 1919–29 and even to a certain extent in the plannism of the 1930s and 1940s had virtually vanished by the 1950s. This could perhaps be related to the fact that while at the end of the First World War a militant consumer movement mainly led and formed by women had existed, this was no longer the case after 1945. When the environmental and 'Third World' solidarity movements of the 1970s started trying to win the support of consumers for their aims, neither they nor the unions were willing to forge an alliance with each other. Today, however, the conditions for a coordinated mobilisation of workers and consumers are more auspicious.

To pre-empt the problems of syndicalism, Sjöberg argues for so-called 'social funds' which should be able to combine two elements. First, what he calls the 'elegant construction presented by Meidner', which was able to bring about a shift in property and power structures at the corporate level without negatively influencing the financial liquidity of these corporations. Second, a new form of management of the funds that would guarantee a balance between producers and consumers. Trade union pension funds could also play some role in social funds, provided 'that labour acts as a unified hegemonic force' (Sjöberg 2004: 35). An important element of the strategy of these funds would be the coordination of regional and national funds at an international level.⁶ Sjöberg acknowledges that such an international strategy has not yet been elaborated (2004: 36). This idea therefore needs continuous discussion and theoretical development. Might an international social fund system even be a form adapted to the challenges of globalisation in the 'commonwealth of the economy'⁷ that Naphtali thought to be a necessary precondition for industrial democracy (1977: 162)? Other important elements for the democratic control of transnational corporations could be the expansion of International Framework Agreements (IFAs) already concluded today between some transnationals

and some Global Union Federations (Gallin 2005). Both international NGOs and UN organisations could play a role here in representing consumers.

Contemporary debates

Since 1989 discussions about the fact that the means of production remain in private hands, and about which class controls economic power have evidently played only a minor role in debates inside either social democratic parties and trade unions. In academic discourse, however, some newly developed approaches have emerged which merit wider discussion. One could cite here the concept of 'associative democracy', which as a 'real third way' incorporates some elements of guild socialism and asks questions about the possibility of democracy beyond the state (Hirst 1994). There is also the utopian concept of a 'participatory economy' (Parecon), inspired by the anarcho-syndicalist tradition and discussed by the movement for alternative globalisation and at the World Social Forums (Albert 2004). On a more practical level, an increasing number of industrial struggles against factory closures and the 'outsourcing' of production have directly focused on decisions about investment and corporate governance, thus breaking through the traditional boundaries confining collective bargaining and labour disputes to wages and working conditions. In the bargaining process for social plans to moderate the effects of industrial change, workers and their unions already accept responsibility for strategic corporate leadership. They have to challenge the strategies of a new generation of managers who orient their decisions to the short-term profit interest of shareholders with their own perspective on the future of often highly productive industries (Aglietta and Rebérioux 2005). Today these conflicts between workers, management and shareholders on investment policy are in most cases treated as isolated instances by both labour market actors and public authorities. However, when workers mobilise to influence strategic decisions on investment, they have already brought economic democracy back onto the political agenda. It is therefore a central challenge for the trade unions and all progressive forces to aggregate the experience of these struggles and to produce a new strategy for economic democratisation.

Conclusion: the past and the future

The history of the project of 'industrial democracy' has crucial relevance for the present. The rediscovery of forgotten alternatives can stimulate future offensives. An accurate analysis of the failure of the major experiments for democratising the economy can optimise the chances of future projects succeeding. Although it is of course not possible to deliver instant

solutions, I will offer some provisional conclusions about rethinking industrial democracy.

First, new attempts at democratising the economy will have to be more strongly embedded in the actual struggles of the labour movement than most of the earlier projects were. When concepts of industrial democracy are no longer consciously oriented to the interests of the working class, there is a great danger that they will become reactionary. Here, Hendrik de Man's desertion to fascism and the neo-liberal takeover of elements of the worker self-management thinking of the 1970s are warning signals.

Second, at a theoretical level Michael Krätke has convincingly argued that discussions of industrial democracy, the reform of political democracy (as in the debate on 'associative democracy') and market socialism, which until now have been virtually separate, should be brought together (Krätke 2003: 61–2).

Third, projects for industrial democracy will have to analyse the scope for socialist and trade union action under the current conditions of capitalist development, in which internationalisation and the financial sector play a more important role than in earlier stages (Bischoff 2006: 138–9).

Fourth, taking into account the structural changes of the last thirty years, a reconsideration of the Swedish wage earners' funds seems to be a particularly promising line of inquiry. Their very convincing model of a step-by-step socialisation of the means of production avoids disruptive side effects such as a shortage of liquidity.

Fifth, new models of industrial democracy will have to retain the distinction between genuine socialisation and the more limited approaches of both syndicalism and nationalisation, evident in the British discussion about guild socialism and the socialisation debate in Germany and Austria after the First World War. By this I mean that they should concentrate on the development of organisational structures which enable a balanced representation of producers, consumers and the public interest. These new models of industrial democracy will also have to retain the combination of democratising investment decisions and quasi-Keynesian anti-crisis investment programmes from the plannist approaches of the 1930s and 1940s.

Sixth, future projects of industrial democracy must learn from the discussion about humanising the workplace and the self-management of production which took place in the 1970s in order to place greater stress on the individual worker's needs and goals (Müller 2006: 113–14).

Overall, economic democracy – understood not as an another version of utopia, but as a fruitful tradition which social democracy has to rediscover and redevelop – could be a crucial element in reconciling the two basic aims of social democratic policy: economic modernisation and social security, which have too often drifted apart in the last two decades. By doing this

– and surely not by giving in to the neo-liberal Zeitgeist – social democracy could prove that it is still the political force that alone is capable of extending the great achievements of liberal democracy to all members of society. Or, as Albert Steck so aptly stated at the end of the nineteenth century: ‘As the old liberalism has brought down political class rule through political democracy so social democracy as the new liberalism has to bring down economic class rule through economic democracy. Social democracy is the daughter of genuine liberalism but not of the liberals’ (cited in Bieler 1960: 126).

Notes

- 1 Some of the documents relating to this discussion can be downloaded (in German and French): www.socialism.ch.
- 2 For two examples of consumers’ militancy from neutral countries (the Netherlands and Switzerland), see Kuypers 2002: 97–9; Pfeiffer 1993.
- 3 Named after the initials of its authors (Wladimir Woytinski, Fritz Tarnow and Fritz Baade), this plan ‘put forward a large-scale public works programme with counter-cyclical aims, to be financed by deficit spending . . . By intervening with concrete legislative proposals, the WTB Plan contravened one of the principles of the division of labour between the SPD and the unions. Hilferding opposed it because it was ‘unMarxist’ – in reality because the SPD . . . was afraid that the plan would antagonise the Chancellor, Brüning’ (Sassoon 1997: 60). For the influence of the WTB-Plan on de Man, see Sassoon 1997: 68.
- 4 ‘*mitbestimmter Marktkapitalismus*’.
- 5 It is interesting that it was the originally catholic, but since the 1960s socialist-leaning, trade union confederation CFDT which was the main advocate of *autogestion* (self-management) and which later became the ‘champion of the modernising “second left” which surged after the failures of 1981–82’ (Sassoon 1997: 564). This social-liberal tendency was led by Jacques Delors and Michel Rocard and can to some extent be seen as a forerunner of New Labour.
- 6 It can be noted here that the International Confederation of Free Trade Unions (ICFTU), the Global Union Federations (GUF) (formerly the International Trades’ Secretariat) and the Trade Union Advisory Commission at the OECD (TUAC) have founded a joint committee to discuss the coordination of the investment of capital owned by workers: www.workerscapital.org/. In the USA the AFL-CIO has tried for some years to coordinate the investment policy of pension funds: www.aflcio.org/corporatewatch/capital/whatis.cfm.
- 7 ‘*Gemeinwesen der Wirtschaft*’.

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