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Any comments much appreciated

A MARKET ECONOMY BASED ON COMMON OWNERSHIP: ANOTHER WORLD IS POSSIBLE

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Summary

The paper starts from the premise that the struggle for a more equitable economic system that makes better use of the world's natural and human resources would be greatly helped if there were more of a goal to aim for – some sort of vision of what such a system would look like and how it would operate, so that a strategy for achieving that goal could be developed. It is argued that a market economy based on common ownership could fulfil that role.

First, the meaning of common ownership, and the different forms it can take, are discussed. The case is then made for worker-owned co-operatives, largely modelled on the Mondragon co-operatives in Northern Spain, to become the main institution for producing and supplying the bulk of goods and services in the new society, arguing that this would not only be fair, but also would be hugely more efficient economically than the present capitalist system of production. However, for certain productive activities, on the grounds of efficiency and cost-effectiveness, it is argued that other forms of common ownership would me more appropriate. Thus, it is proposed that natural monopolies, such as transport, utility and telecommunication infrastructures, and the postal services, along with the various social services, including health care, education, pensions, and care of the elderly and infirm, would be better under state ownership at local or national levels, with their own independent democratic structures. In other spheres, marketing co-operatives, housing co-operatives and secondary co-operatives (those owned by other co-operatives), could play important roles. But is it suggested that mutual organisations, including building societies and consumer co-operatives (but not credit unions) should be reconstituted as worker-owned co-operatives, along with all other public companies and private companies beyond a certain size.

The paper then goes on to discuss the essentially democratic nature of markets, provided that there is an equitable distribution of income, in which people are paid according to their skills and contribution to society, and where making money out of other people's labour is abolished. This leads on to a consideration of how a genuinely free and competitive market – which would mean that it must be properly regulated – can be used for the purposes of economic planning, with the state as an active participant, which would enable it to deal with market failures of various kinds, and would be in addition to its role, through various agencies answerable to Parliament, as regulator in all aspects of the economy, including environmental impact and the control of money supply and credit to guard against inflation.

Finally, the paper maps out how, once people had been won over, an economy based on common ownership could be achieved, with minimal disruption of production. It is concluded that on a day-to-day basis, such an economy would function not much differently from the one we have now, except that there would be no outside shareholders making money out of other people's labour and no capital markets, apart from a limited bond market.

Introduction

There is a desperate need to invent a new, more equitable economic system that makes more efficient use of the world's natural and financial resources, technology, and people's labour power – thus to realise what is technically feasible. Whilst mobilising against the desperate injustices of the present system, how much more effective it would be if people had an overall vision of how things could be done differently – if there were a goal to aim for, so that a strategy for achieving that goal could be developed.

Previously, the centrally planned economies of the former Soviet Union and other countries with communist governments to some extent fulfilled that role. They were the first genuine attempt to organise production and services to satisfy people's needs and wants directly, rather than leaving it to the market which inevitably skews investment towards the needs and wants of the better-off at the expense of the unemployed and underpaid. It is important, therefore, before trying to devise a new economic system, to understand why this only fully working alternative to the current international capitalist system which showed so much promise, collapsed – if only to avoid pitfalls in the future.

I have analysed elsewhere why these economies got into difficulties and eventually collapsed. Briefly, the overwhelming problem was the quantity of data that needed to be collected to make the system work, and the inability to process all the information in time for the start of the planning period. The situation was not helped by the extent to which enterprise managers sent in false data in order to protect themselves against the inefficiency of the system, and the fact that capital and land were treated as cost free.

In a market economy, provided there is a reasonably equitable distribution of income, prices contain all the information required to indicate which goods and services are in demand, and where investments are needed, thus obviating the need for an elaborate bureaucracy that takes on a mind of its own.

In this paper, I make the case for a market economy based on common ownership. First, I examine the meaning of common ownership, and the forms it can take, starting with how it was originally conceived by the drafters of the Labour Party constitution in 1918. Second, using the Mondragon co-operatives in Spain as a point of departure, I explain why an economic system based on common ownership in the form of worker-owned co-operatives, together with some state ownership, is not only fair, but also enables resources to be allocated in the most efficient way possible for maximum human benefit. Next, after demonstrating the democratic nature of markets, provided that they are properly regulated, I discuss how markets can be used for the purposes of economic planning. This would involve the state acting as a participant in the market, responding to price signals, just like any other participant, but with the added responsibility of dealing with market failures, such as investing in areas that have been neglected or in order to open up bottlenecks, or in enterprises on the verge of insolvency (which inevitably is part and parcel of a market economy), helping them to diversify. In addition, the state would continue to act as regulator in various areas, in particular to ensure that markets remain competitive, and to safeguard the environment, and to control money supply and credit to protect against inflation. Finally, I discuss a way of achieving an economy based on common ownership, building on what already exists.

The meaning of common ownership

Until Tony Blair, in the 1990s, persuaded Labour Party members otherwise, common ownership was one of the key objects of the Labour Party, as stated in Clause IV of its constitution:

> 'To secure for the workers by hand or by brain the full fruits of their industry and the most equitable distribution thereof that may be possible upon the basis of the common ownership of the means of production, distribution, and wealth, and the best obtainable system of popular administration and control of each industry or service'.

Unfortunately, both within the Labour Party and among the public at large, common ownership came to be narrowly identified with nationalisation and state ownership, and this is still what most people have in mind when thinking about the socialist alternative to capitalism. But this was not what Labour Party members had in mind in 1918 when they voted for Clause IV. As Sidney Webb, who drafted Clause IV, put it in an article in *The Observer* the year before:

> 'This declaration of the Labour Party leaves it open to choose from time to time whatever forms of common ownership from the co-operative store to the nationalised railway, and whatever forms of popular administration and control of industry … may, in particular cases, commend themselves'.

The trouble is this sounds nice, but it is vague. It begs the question, which forms of common ownership are best suited for which kinds of productive activities? It is the failure to answer, or even pose, this question that allowed state ownership to dominate the thinking of socialists.

No doubt this was helped along by what were perceived to be the early economic successes of the first great experiment to create a socialist economy in the Soviet Union, which was almost entirely based on the state ownership of the means of production.[1] Since then, and with good reason, the system long before it collapsed, gained a poor reputation. The state owned enterprises turned out to be extremely inefficient in the utilisation of labour power, and technological and financial resources, and they tended to produce a poor selection of goods and services of inferior quality. Furthermore, there were frequent shortages of products in high demand, while many others were produced in excess, which piled up in warehouses.[2] Another problem was that many state-owned enterprises often came to be as exploitative and as alienating to workers as in capitalist owned enterprises. This has also been the experience to a greater or lesser extent of state owned enterprises in other countries, including Britain.

Meanwhile, this fixation with state ownership crowded out other forms of common ownership – in particular, that other great experiment in common ownership pioneered in Britain in the 19th century by Robert Owen, in which workers themselves owned directly the enterprises where they worked. Both Marx and Lenin recognised these worker-owned co-operative enterprises as embryonic forms of a new social order. But they were ahead of their times. As Marx put it:

> 'The co-operative factories of the labourers themselves represent within the old form the first sprouts of the new, although they naturally reproduce, and must reproduce, everywhere in their actual organisation all the shortcomings of the prevailing system. But the antagonism between capital and labour is overcome within them, if at first only by way of making the associated labourers into their

[1] In fact, initially, the Soviet Union, like other underdeveloped economies, had not much choice as only the state had the resources to invest in the industries and so on required to rescue the economy from its state of underdevelopment. But the enterprises established could have been converted into worker-owned enterprises later, and a fully functioning market economy established – easy to say with hindsight!

[2] However, it could be argued that these problems were more to do with the form central planning took in the Soviet Union and other economies modelled on the Soviet system, rather than the fact that the enterprises were state owned.

> own capitalist, i.e., by enabling them to use the means of production for the employment of their own labour. They show how a new mode of production naturally grows out of an old one, when the material forces of production and of the corresponding forms of social production have reached a particular stage'. (*Capital* Vol. III, Chap. XXVII)

As with many co-operatives since, those early worker-owned co-operatives were undermined by the prevailing hostile capitalist environment. In particular, they found themselves having to compete against highly exploitative capitalist enterprises able to produce more cheaply because they paid workers a pittance. And many were killed off by non-employee members winding them up and cashing in on their assets. This has been the fate of many a co-operative since then.

Such problems would not arise in an economy wholly based on common ownership in various forms, including: worker-owned co-operatives; state owned operations; mutually owned businesses, such as building societies, credit unions and retail co-operatives; marketing and wholesale co-operatives; different types of farmers' co-operatives; housing co-operatives; and secondary or higher co-operatives mutually owned by other co-operative businesses.

Some lessons from the Mondragon co-operatives

The Mondragon co-operatives, probably the best known, and economically most successful, worker-owned enterprises, based in the Basque region of Northern Spain – named after the place where the first co-operative enterprise was started in 1956 – provide a useful glimpse of what an economy based on worker-owned co-operatives might look like. The first Mondragon co-operative, ULGOR – an acronym of its five founders – began with 24 members, manufacturing kerosene stoves. Two years later, they added gas cookers. And they bought up two small capitalist-owned foundries, mainly to ensure supplies of its main inputs, which were spun off later as a new co-operative, Ederlan. They continued to expand in this way. By the turn of the century, the Mondragon group comprised 86 manufacturing co-operatives, averaging several hundred members, with products ranging from all types of domestic appliances to machine tools and ferry boats. In addition, it embraced 44 educational institutions, including its own university, seven agricultural co-operatives, 15 building co-operatives, several service co-operatives, a network of consumer co-operatives with 75,000 members, and a bank, Caja Laboral Popular – bank of the people's labour – with 132 branches in the Basque region. Altogether nearly 40,000 people were employed. In addition, some of the co-operatives have set up manufacturing ventures in other countries, including Brazil, China, Algeria, Portugal, and elsewhere.

How was all that achieved? It depended first and foremost on a high rate of reinvestment of profits. Thus, co-operative members receive their share of the profits into an individual internal capital account which are set up for each member when they join a co-operative. But they do not have access to the funds accumulating in their accounts until they either leave the enterprise or retire. In the meantime, the funds are automatically loaned back to the co-operative, with the member receiving interest at an annual rate of 6 per cent. When members leave or retire, their accounts are closed, and they receive 75 per cent of the accumulated funds as a lump sum, which is regarded as being in return for the assets the members have helped to create. The rest is retained by the co-operative, being considered as the capitalisation that made the job possible. Normally, about 70 per cent of a co-operative's profit is paid into individual capital accounts, the remainder going into a collective account as operating capital, with a portion earmarked for local community development. When a person joins a co-operative, they have to pay a membership fee, now around £6,000, corresponding roughly to one third of the lowest annual salary. This is credited to the member's internal capital account. (New members may borrow the fee from the co-operative, which is repayable over three years through deductions from earnings.)

A further factor contributing to high rates of reinvestment was the establishment of the bank, the Caja Laboral Popular. This enabled funds accumulating in internal capital accounts of the more profitable co-operatives to be recycled and made available for investment in new ventures. Among other things, these new ventures allowed the redeployment of workers displaced by the introduction of more productive technology. For instance, in recent years, some enterprises have invested heavily in robots to eliminate repetitive and dirty jobs. Other investments have gone into new technology to cut costs, so that the co-operatives can remain competitive in their main markets.

Finally, it needs to be emphasised that unlike working for a capitalist firm, Mondragon workers have job security. Furthermore, over and above their normal wages – which are at the prevailing rates in Spain – they get a share of the profits. In short, workers have a vested interest in ensuring that their enterprises operate as efficiently as possible, especially as they have to compete for business in economies overwhelmingly dominated by capitalism – which, unfortunately, as some critics have pointed out, has led to some compromising of their co-operative principles.

Be that as it may, the key point here is to emphasise the factors that gave them their long term viability and their capacity to expand and innovate. First, their internal structure ensures that a significant proportion of earnings is available for reinvestment. Second, the fact that they are part of a network of worker-owned co-operatives – almost acting like a mini-state – allows the co-operatives to support one another's development. Third, they operate in a highly competitive market, which means they have to be efficient and come up with innovations in order to survive.

The economic case for worker-owned co-operatives

An economy based on worker-owned co-operatives would not look much different from the economy we now have. People would continue to be employed in various productive activities in businesses or firms of all shapes and sizes, producing and supplying goods and services according to demand. The major difference would be that the profit would go to the workers rather than to capitalist owners or outside shareholders with little interest in the operation of the enterprise itself other than how much profit they can squeeze out of it. In other words, workers would be in control of what happens to their surplus labour – the work that they perform over and above that required for their current consumption – which, under capitalism, is largely appropriated by the capitalist owners and shareholders. Second, in larger businesses, managers, instead of having to act in the interests of outside shareholders, would be answerable to a board of directors elected by the workers (perhaps including also representatives of the local community or other interested parties, depending on the nature of the business and its productive activities).

Such a system would be more equitable and more democratic, because workers themselves would be in control of their livelihoods. As Lenin put it, commenting on the first worker-owned enterprises pioneered by Robert Owen: 'For the first time after centuries of working for others, of working in subjection for the exploiter, it has become possible to work for oneself, and moreover to employ all the achievements of modern technique and culture in one's work'.

Moreover, the system would be more efficient economically. First, at the enterprise level, workers would have every incentive to make the business as successful and as efficient in its operation as possible – to improve quality, to economise on resources thus to minimise costs, and to introduce innovations in production techniques, and the organisation of production, as well as in the goods or services produced or supplied – because, unlike in capitalist enterprises, they would profit directly from their efforts. Moreover, they would have a further incentive to do those things because their enterprises would be in competition with other enterprises for customers for their products.

Second, such a system would also be more efficient at the macroeconomic level, and lead to higher rates of economic growth. Thus, in worker-owned enterprises, it is likely that workers would choose to pay themselves more. This would create economic demand and larger markets for goods and services that others produce and supply, which, in turn, would stimulate more investment and employment in the production and supply of goods and services that people need and want, leading to further growth of economic demand, and so on.

That is in sharp contrast to the situation in the current capitalist system whereby much of the surplus labour appropriated by capitalists and shareholders ends up unable to find investment opportunities because workers whose surplus labour has been appropriated do not earn enough to provide a sufficient market for the goods or services that would have been produced or supplied. In other words, much of the capital derived from the surplus labour that people have performed ends up not being invested at all – at least not in any meaningful economic sense, in new productive activities. Indeed, this is the primary cause of the world’s current economic crisis – too much capital accumulating at the expense of wages and growth of economic demand.

The problem now is that under capitalism, the drive for profits means that every capitalist – or manager acting on behalf of shareholders – strives to pay workers as little as they can get away with. But the more successful they are in achieving that goal, the more difficult it is for enterprises to find markets for their products because of the negative impact workers not being paid enough has on economic demand. Fortunately for capitalists, workers have come to their rescue to some extent by campaigning for higher wages – but that only works up to a point. That is because most workers under capitalism are in a weak bargaining position due to the threat of unemployment – in some countries much more so than others. Thus, growth in wages tends always to lag behind growth in profitability. Consequently, capital unable to find suitable investment opportunities tends to accumulate to an ever-increasing extent.

Instead of being invested in useful productive activities – developing natural resources to produce and supply goods and services that people need and want, and providing jobs for the1.5 billion people in the world currently unemployed or underemployed – the surplus capital is turned into (‘invested’ in) various assets including property, company shares, even whole companies, commodity futures contracts and a whole range of other ever more esoteric financial paper that is bought and sold, or more precisely gambled, on the world’s ever expanding capital markets. As the volume of capital seeking such ‘investments’ grows, so the demand for the various assets rises inexorably causing asset bubbles – escalating prices out of all proportion to their economic value – only to burst later when pundits seek to cash in their gains before others jump on the bandwagon, which precipitates the inevitable price crash. All these activities may earn traders and speculators lucrative commissions and short-term capital gains at the expense of those who bet the wrong way or miss the boat, but the capital ends up contributing hardly at all to economic development. In short, the capital – that is the surplus labour that people have performed – is wasted. Even worse, when crises in the financial sector spill over into the real economy, many productive enterprises are forced out of business, which represents a destruction of capital (often dubbed ‘creative destruction’ by economists supporting the capitalist system, never mind that it is people’s livelihoods involved, and that it is labour that people have performed that is being wasted).

In an economy based on common ownership, capital would not be squandered in this way. With workers in charge, if they had no immediate use for the profits that their enterprises generated, they would tend to simply pay themselves more, which would generate more economic demand for goods or services produced or supplied by others, thus stimulating more investment and creating more employment opportunities. Some might argue that if workers paid themselves more at the expense of savings, a shortage of capital would arise, thus limiting investment in new productive activities. In fact, there need never be a shortage of capital as such, because credit can always be made available through banks (which is equivalent to enterprises making use of workers' surplus labour before it had been performed). The only constraint, as now, would be the willingness of banks to lend, which would depend on how sure they were of getting their money back. That, in turn, among other things, would depend on banks' perceptions of future economic demand for the products resulting from the investment and the capital that had been advanced, and also of how well they thought the enterprise was being managed.

In other words, capital availability would be determined primarily by how fast economic demand was expanding – which would likely be greater in an economy based on common ownership, because a larger proportion of profits would end up in workers' wage packets. In short, more efficient use would be made of financial resources because capital for investment would tend to be made available as and when required, rather than being allowed to accumulate waiting for some use to be found for it, as is the case under capitalism.

(It should be pointed out that under the system of common ownership envisaged here, banks would also be worker-owned co-operatives, or perhaps secondary co-operatives owned by other worker-owned co-operatives similar to Caja Laboral Popular. It would also be expected that banks would be much closely involved in investment decisions of enterprises, as in the case of the Mondragon co-operatives, and also, at least in previous times, in some capitalist countries, especially Germany.)

But what if workers did not adopt something like the Mondragon system, and paid themselves too much and not save enough for future investments? In fact, they would have a disincentive to do that, because if their enterprises are to remain in business in competition with other businesses, workers would have a vested interest in keeping costs down by not paying themselves too much, and in investing in improved quality and other value added activities, diversification, or in more productive technology, just as capitalist enterprises do now.

On the other hand, competitive pressures could also lead to workers cutting back excessively on their wages to make their enterprises more competitive, so that competition could take on a more destructive, cutthroat character, as happens under capitalism. One way of preventing that would be to retain minimum wage legislation. However, generally, it would be up to trades unions to ensure that nationally – and ultimately internationally – agreed wage rates for different types of work, according to skill and demand, were paid by all enterprises.

It should also be illegal to sack workers – unless they had committed a criminal offence, in which case they would be subject to prosecution, and, hopefully, some kind of rehabilitation programme. Thus, if investments in new technology led to some workers being rendered redundant, it would be up to enterprises to redeploy them in other ways, either by relocating them to sister enterprises, or by investing in some other type of activity.

This was the practice in many Japanese enterprises, which operated a jobs-for-life policy, when the focus was on the expansion of manufacturing, before the Japanese economy came to be dominated by the financial sector and speculation.

When other forms of common ownership might be more appropriate

The system of worker-owned co-operatives discussed so far is not suitable for every productive activity. In many cases, for reasons of efficiency and cost-effectiveness state ownership, acting on behalf of the public as a whole is a better option. This applies most obviously to the various public services, including education and training, health care, social services, the post office, and social security and pensions, and care homes.[3] However, the building and upgrading of the infrastructure, and its maintenance, as well as all the various inputs required for the services to operate, could be put out to tender to worker-owned co-operatives.

State ownership would also be more suitable for those productive activities which are natural monopolies, or which involve a natural monopoly element, including public transport (bus networks, the railway system, air transport and shipping) and utilities – gas and power supply, water and sewerage, and telephony. Thus, a feature common to all of these services is that they involve, on the one hand, a natural monopoly element – essentially the infrastructure for the service to operate – and, on the other hand, productive activities that can operate more or less as independent businesses. The latter would include, among others: construction firms responsible for the building of the infrastructure, and perhaps its maintenance; suppliers and manufacturers of the various resources and equipment required for the service to operate, including such things as rolling stock, buses, electrical power generators (in the both senses, the equipment itself and the businesses actually generating the power and supplying it to the grid); and the actual operators and administrators of these various services to the public.

Taking this feature of these services into account, and the experiences of different forms of ownership of these operations in the past, and in different countries, it is proposed that the most efficient and cost effective way of providing these services would be for the state at national or municipal levels to own and operate the natural monopoly element (namely roads, the rail network including rolling stock, airports and seaports, the electricity and gas grids, the water and sewerage system, and the fixed line telephone network), and for all or most of the other activities to be contracted out in various ways to worker-owned enterprises operating under market conditions, but with the state as an active participant to deal with market failures, as will be described shortly. However, during the transition from existing privatised services, it might be more appropriate for the industry as a whole (for example, the railway system) to be taken into public ownership before gradually reorganising it along the lines suggested here.

In other areas, secondary co-operatives could be an important form of common ownership. The possibility of some banks (but not all) reconstituting themselves as secondary co-operatives has already been mentioned. These could work alongside worker-owned banks, and credit unions could play a more extensive role. Marketing co-operatives, which could be secondary or primary co-operatives, could also play an important role in helping small producers, including farmers and small businesses, to sell their products, and possibly could form other kinds of co-operatives, perhaps to process their products or for the purposes of acquiring inputs or investing in their manufacture. And housing co-operatives, along with local authorities, could play an expanded role in housing provision.

Right now, by far the most important form of common ownership in Britain is the network of retail co-operatives, now known as The Co-operative, which, along with building societies, are mutually owned businesses – that is nominally owned by their customers. I would recommend that these be reconstituted as worker-owned co-operatives. This would not only make them more innovative, but also bring them closer to the democratic ideals upon which co-operatives should be based. At present, the bulk of consumer members of retail co-operatives and other mutual companies are hardly aware that they are members, and do not participate in their democratic procedures. It is easy, therefore, for these co-operatives to come under the control of self-perpetuating oligarchies, and behave not much differently from capitalist enterprises. For example, a member of Nationwide, formerly the Co-operative Permanent Building Society, persevered with trying to get elected onto its

[3] A discussion of these activities is beyond the scope of this paper. I make the case for a comprehensive state-run earnings-related pay-as-you-go pension system in a pamphlet, *The future of pensions – How to ensure a decent retirement for all*, published by the Economic Committee of the Communist Part of Britain in 2006.

board of directors as a member-nominated member for several years but eventually gave up. He was always thwarted by the board co-opting a preferred candidate, and then presenting him or her as an existing director when the elections become due. Meanwhile, barely 12 per cent of members bother to vote.

When starting from scratch, involving consumers in the formation of a co-operative to provide a service needed may be the best, or indeed the only, way to raise the finance necessary to get started. However, once established, as long as there is a competitive market, consumers' interests will be more or less preserved, and the priority should shift to protecting workers' interests. (In fact, at one time, some consumer co-operatives actually banned employees from becoming members, and in general, even now, they have been treated not much differently from employees in capitalist establishments.) Turning the Co-operative into federations of worker-owned co-operatives would not only enhance their democratic legitimacy, but also pave the way for a new society based entirely on networks of co-operatives – in other words, towards achieving the common ownership of the means of production, exchange and distribution envisaged by the founders of the Labour Party.

Markets in an economy based on common ownership

There is no reason why markets in an economy based on common ownership should not operate more or less as now. Socialists and the Left have tended to have an in-built animosity towards markets, blaming markets for the highly skewed distribution of consumption and uneven economic development, and so on, when in fact it is the capitalist system that is to blame.

The reason markets under capitalism, and under other social system before capitalism, have favoured the rich at the expense of others does not arise from markets as such. It is because some people have gained the power to appropriate the surplus labour of others – for example, through trade or ownership of means of production. Take away that distortion so that people's incomes genuinely reflected the value of their work would make incomes far more evenly distributed. Markets would then become a genuinely democratic means of delivering goods and services to people according to their needs and wants in all their diversity. Indeed, because of the huge range of products now available, it is the only practical way of generating the necessary feedback to indicate what needs to be supplied and where investments should be made. Abolish capitalism, turning capitalist firms into common ownership enterprises, and this would end the situation of the few appropriating the surplus labour of the many, which is what causes the extreme inequalities under capitalism. Markets would then become truly democratic.

Thus, if, unlike now, incomes were determined more or less according to people's economic contribution to society, people would more or less be able to afford what is available, and therefore free to choose how to spend their earnings. Provided uncorrupted free markets prevail – and it would be up to governments to ensure that – prices would truly perform their informational function, indicating which goods or services people and institutions were wanting, and therefore where investments – or disinvestments – were needed. This could be supplemented as now, of course, by market research carried out by the various productive enterprises.

Furthermore, variations in the price of labour – in other words, wages – would indicate which skills were in increasing demand and where, so that resources for training could be made available accordingly, and people helped to move to where the work was.

The market would also provide the information governments would need if they wished to use their resources to nudge the economy as a whole in one direction rather than another, as expressed by the electorate and elected representatives, as will be discussed next.

Meanwhile, it should be pointed out that with the abolition of capitalism, and with it the large-scale appropriation of surplus labour, the accumulation of capital, and therefore capital markets – which currently are very much the tail wagging the dog that is the real economy – would all but disappear. Capital markets would essentially be confined to bonds issued by enterprises or institutions, including the government, seeking funds for investment from other sectors, which for one reason or another have a surplus of capital.

Economic planning using markets

A planned economy that is also a free market economy probably sounds to most people like a contradiction in terms. The trouble is attitudes to markets are coloured by how they operate under capitalism. In fact, as implied above, markets are not a peculiarity of capitalism. They go back to the very beginnings of society when people bartered goods for those produced in other localities. And there is no reason why they should not continue to exist in future societies. Meanwhile, attitudes to economic planning are coloured by the form it took in the former Soviet Union and other countries that followed that model.

Prices in genuinely free markets, in which there are many suppliers and many consumers in competition, incorporate a huge diversity of information. In particular, they incorporate measures of the quantity of labour required to produce or supply particular goods or services, as well as that required to produce the various inputs needed for their production and supply, including the labour involved in education and training. Second, they incorporate measures of the relative scarcity of the various products, and their relative usefulness to consumers, as well as changing fashions and tastes, and relative balances between demand and supply.

A command economy, which is what the Soviet-type central planning system became, throws away all that information, and hence objective criteria upon which to base investment decisions. The great problem under the former Soviet system of central planning was that there was not even enough time to incorporate all the necessary economic data from enterprises before having to produce annual plans, let alone include feedback from consumers except in a very crude way. Decisions taken by planners, politicians and directors of enterprises as to what to produce inevitably reflected, therefore, what they thought were people's needs and wants – or more usually what their needs and wants were. Unsurprisingly, planners quite often got things badly wrong to say the least.

However, allowing free markets, in effect, to determine prices does not preclude state involvement. On the contrary, in a planned economy using markets, as proposed here, the state at national and local government levels would have to be as active as any other enterprise or individual in the market. Many economists would argue, that that would mean that a free market no longer existed. That could be true. It would depend on the types of activity in which the state became involved. If it included statutory controls on prices, price subsidies for certain products, or the buying up of surpluses to support prices, it would indeed, no longer be a free market. However, what is being advocated here is for the state to use market prices as indicators for actions to take, just like any other enterprise or consumer.

The first requirement for a system of economic planning using markets would be to establish a comprehensive price monitoring unit to record price movements for all goods and services, including regional variations – but excluding, perhaps, luxury items produced or supplied in relatively small amounts. It should also collect price data for selected products in other countries making possible international comparisons. These statistics would then become the basis for further investigation and policy decisions.

For instance, if prices were rising for a particular product, this could be for a number of reasons. It could be due to inadequate supplies. This could act as a signal for the state to take measures to stimulate increased production of that particular product – for example, through loans to existing enterprises to invest in higher production, or, perhaps, for the state itself temporarily to invest in its production or supply. Higher prices could be due to rising prices of raw materials or other inputs, in which case it could mean the state should turn its attention towards investment in those areas – or perhaps in research and development to find alternative materials or sources of supply. In both cases, in order to avoid a possible glut, or large amounts of underutilised capacity, thus representing a waste of investment resources, care must be taken not to stimulate production too much – which is what often happens under capitalism because enterprises were unaware of how their competitors might be responding to rising prices. Furthermore, if prices of more or less essential items were found to be too high for poorer segments of the population to afford, but otherwise were reflecting the true costs of their production or supply, this could be a signal for the government to raise pensions and the statutory minimum wage. Alternatively, it could be a signal to stimulate investment in the development of more productive technologies in order to reduce costs.

Declining prices could also be for different reasons. If it were because enterprises were investing in technology to reduce costs or increase supplies, all well and good – it would mean the market was performing its function. If, on the other hand, it were due to declining demand, either at home or abroad, perhaps because of oversupply or changing tastes, it could be a signal for the state to help some enterprises affected to diversify into other product areas – for example, through loans or technical advice, thus to prevent bankruptcy or the loss of jobs.

Meanwhile, if prices for some products were observed to be relatively static, this should not be taken at face value. It might mean, for instance, that enterprises were colluding to maintain higher prices, putting them out of reach of potential consumers unable to afford, or not prepared to pay, the prices being asked. That is what frequently happens under capitalism now that production is becoming increasingly concentrated in a smaller number of very large companies.

In fact, the monitoring of prices, as advocated here, would make collusion much less possible, all the more so, if during the process of converting to common ownership the larger conglomerates are broken up into their components parts. But it if were a problem, the task would be to foster competition in other ways.

The argument for allowing markets to determine prices should not be taken too far, and it certainly does not preclude the state, in addition, using other, non-market criteria in the allocation of resources. Markets should simply be seen as one of the tools, albeit an important one, for enabling governments to take appropriate economic decisions. But the markets must be real, competitive markets if they are to perform that function – unlike previous attempts to introduce some elements of marketing into economic planning, such as in Hungary.

The Left has also tended to have an ambivalent attitude towards competition. However, competition is the lifeblood of innovation, and the development of more efficient production techniques, and the development of goods and services in ever-increasing diversity and of improved quality. Under capitalism, whenever a company, including a state-owned company, is a monopoly, or groups of companies through collusion act like monopolies, consumers almost invariably end up being charged more and more for a poorer service. And the failure to introduce effective competition was precisely one of the main factors that led to the demise of the former Soviet and other centrally planned economies – there were insufficient incentives to innovate. And even when there were innovations, there were often huge disincentives for them to be introduced.

Contrary to popular thinking, in order to preserve competition, more government controls are needed, not less, because deregulation increases the chances of monopoly. Capitalists left to their own devices also try to avoid competition as far as possible, and, indeed, had it not been for countervailing forces, including trades unions seeking higher wages, and various kinds of government intervention – especially laws the prevent the formation of cartels and other price-fixing devices, and the establishment of government agencies, such as the Competition

Commission and the Office of Fair Trading in Britain, it is likely that the capitalist economic system would have been nothing like as dynamic as it turned out to be. Nevertheless, although price-fixing and other forms of collusion are illegal virtually everywhere, this has not stopped companies from continuing the practice if they believe that they can get away with it – as testified by the large number of cases that come to light, often the result of whistle-blowers.

Actually, these days, now that most industrial sectors are dominated by a few large companies, there is little need to meet formally in order to collude. They simply have to follow the unwritten rules with which they are all acquainted on what is and what is not 'legitimate competition'. For example, competition between Coca Cola, which has 50 per cent of the global soft drink sales, and PepsiCo, which has 13 per cent, is said to be fierce. However, PepsiCo is not going to challenge Coca Cola on price, because, along with other soft drink manufacturers, such as Cadbury Schweppes, all have a vested interest in keeping prices, and therefore profit margins, as high as possible. The competition is for brand loyalty – which, in fact, is another form of monopoly. Here, the object is to persuade customers through clever and intensive advertising – which, of course, the customers themselves inadvertently pay for – that your brand is the real thing, and that all others are pale imitations. This might be reinforced through controls over distribution – for example, getting retail outlets to stock only your brand by offering secret discounts, or, in the case of soft drinks or ice cream, providing branded refrigerators restricted to containing only your brands. Probably, the most successful company ever to achieve brand dominance is Microsoft, which has managed to get its brands more or less established as global standards, and preserving that dominance through the continual adding of new features. In short, while national competition authorities have acted to place some limits on the trend towards monopoly through mergers and takeovers, and formal price fixing, they generally lack the power to investigate, let alone do anything about, tacit collusion or branding which confer monopoly power, or to stimulate competition in other ways. That is all the more so as companies dominating particular industries extend themselves globally beyond the reach of legislators.

In an economy based on worker-owned co-operatives, there is no reason to suppose that practices such as price-fixing or other forms of collusion would not continue to exist, which would undermine innovation and the efficient functioning of the economy. It could result in some worker-owned co-operatives appropriating surplus labour by overcharging their customers – for example, food processing enterprises profiting at the expense of supermarkets being overcharged, or supermarkets profiting, using their bargaining position to squeeze small producers, including farmers. It would need to be ensured therefore, that there was effective competition, so there will be the continuing need for such bodies as the Competition Commission and the Office of Fair Trading, but with more investigative powers than they have now, thus to ensure, among other things, that prices of commodities and services do reflect values, which should be an integral part of the system of economic planning. Competition is often counterposed to co-operation. However, this is a false dichotomy. Every human activity depends on some form of co-operation with others, but the stimulus for innovation is boosted by competition. The task is to strike the right balance between co-operation and competition, so that the one benefits the other.

Meanwhile, an inevitable consequence of operating in a competitive market economy, it is likely that some worker-owned enterprises, through either bad luck or judgement, will end up being less successful than others, perhaps finding themselves trapped in increasingly obsolescent productive activities, and without the financial resources or credit rating to invest in diversification, so that they became insolvent. To deal with that, bankruptcy procedures would need a total revamp, in which government agencies at national and local levels were given the resources to help enterprises to restructure, perhaps in a whole new different line of business. In other words, whilst allowing markets to perform their function as far as possible, these state agencies could arrange or provide loans when necessary, for instance, to help enterprises in economic difficulties to restructure or diversify. In addition, those same state agencies could be made responsible for establishing new enterprises to fill gaps in production or open bottlenecks, or to provide new employment opportunities, which existing enterprises appeared unable to undertake themselves for one reason or another. In both cases, this could involve temporary state ownership of the enterprises in order to get them established or re-established, after which they could be reconstituted as worker-owned co-operatives. In short, these agencies could become the central tool for economic planning, smoothing the process of running down productive activities as they became increasingly redundant, whilst supporting the development of new ones arising out of new demands and innovations. They would perform the function of coordinating and developing economic and industrial policy, and drawing up national and regional economic plans, based on information and analysis gleaned from production statistics, price movements, and industrial and consumer surveys.

Another aspect that would need attention is that, as now, some productive activities would be inherently more profitable than others, yet would be dependent on less profitable or unprofitable activities. By taxing the higher profits beyond a certain threshold of the more profitable activities, governments could ensure the adequate provision of the less profitable activities, including public services upon which all productive activities ultimately depend.

The state, through various agencies, would also need to act as a regulator in other ways. For instance, although, theoretically, it would no longer be possible for workers to have their surplus labour appropriated, a situation could arise whereby some top managers could pay themselves very high salaries out of proportion to their contribution and skills, at the expense of other workers. This would imply some appropriation of those workers' surplus labour. Regulations on wage differentials within co-operatives might be needed to minimise that possibility. In addition, as implied already, a statutory minimum wage, raised in line with inflation or in line with the increasing productivity of the economy as a whole, should continue to exist, if only to prevent self-exploitation, and an agency to ensure that this is acted on. And there would need to be regulations to ensure freedom to belong to independent trade unions. Just because enterprises were under common ownership would not mean necessarily that there will be no grievances or conflicts of interest between different groups of workers, either within or among enterprises, so it would be in the interests of workers to be represented by trade unions when disputes arise. (One of the major criticisms of the Mondragon co-operatives is that workers are not permitted to belong to a trade union, which has led to some labour problems from time to time that could have been prevented had there been some form of trade union representation.)

Second, regulations to ensure the financial viability of enterprises – perhaps taking the form of statutory contingency funds in some proportion to turnover, similar to capital adequacy ratios imposed on banks now – could play an important role, if only to prevent the state becoming involved in expensive rescue operations later.

Third, the state would need to regulate the environmental impact of productive activities, and foster measures to protect the environment.

A final issue that needs to be addressed is the prevention of inflation. In an economy led by economic demand, as one based on common ownership would be, inflationary tendencies would be more or less in-built. Banks, as now, would have a vested interest in seeking out possibilities for making loans, because that is what their business is. Meanwhile, in a competitive environment, worker-owned co-operatives, in order to retain or extend market share or to diversify, will depend to a greater or lesser extent on bank loans (especially in the absence of a stock market). In other words, other things being equal, it is likely that credit would expand inexorably, which is equivalent to printing money (more in a metaphorical sense now that electronic money is dominant).[4] It would result in too much money chasing too few goods and services – in other words, inflation, and the devaluation of money and savings, a sure recipe for disaster.

This was precisely the problem that emerged in Yugoslavia from the late 1960s onwards. Essentially, it was a market economy based on common ownership – not quite the system of worker-owned co-operatives being advocated here, but quite close. (Workers were not the owners of enterprises as such. They were regarded as belonging to society as a whole. Workers simple had the right to the usufruct – the use of the enterprises and their earnings.) Under the system, investment decisions were primarily determined by the market – and by the willingness of banks to advance loans. Most banks, of which there were around seventy in 1970, were partnerships between enterprises and socio-political communities (federal, republican and local), each putting their own capital into a particular bank's so-called 'credit fund'. In effect, therefore, banks ended up as the main coordinators of investment policy. Up to the early 1970s, the system appeared to be remarkably successful. Economic growth was second only to that of Japan, and moreover, growth was fastest in the more underdeveloped parts of the country. However, early signs of unsustainability were beginning to appear, especially in the form of inflation, which arose from the excessive availability of credit, related to the fact just mentioned that banks were largely controlled by the very enterprises seeking credit and by socio-political authorities wanting to see investment in their jurisdictions. Inflation was made worse by the reluctance to charge economic rates of interest, this being regarded as capitalistic. Thus, discounting inflation, interest rates were badly negative – which made it a good deal for borrowers because in real terms they could get away with paying back rather less than they had borrowed. Credit therefore expanded all the more, which further fuelled inflation. This was one of the major factors that undermined the Yugoslavian economy, and ultimately to its demise and the terrible blood-letting later.

This should act as a cautionary tale for any government managing an economic system based on common ownership – ignore inflation at your peril.[5] (Note that inflation is the general rise in prices across all commodities, not a rise in prices of specific items or services, which would be due to insufficient supply in relation to demand for a particular product, and which could be addressed, as indicated above, by the state investing in increased supplies when necessary.) In short, the government needs to control the availability of credit.

This could be achieved by the central bank becoming the sole creator of credit, and more or less restricting other banks to lending the money that their clients had deposited in their savings accounts, together with what the banks themselves can borrow from the central bank at an interest rate that it decides. This would still be

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[4] In fact, in Britain today, only 3 per cent of money is created by the Bank of England printing money and minting coins – down from 50 per cent in 1948. The rest is created by commercial banks through bank credit. When a bank lends, say, £1,000, it does this by crediting that amount to someone's bank account. When spent, the money received by the sellers of whatever was bought ends up in that person's bank accounts, or of those from whom they bought goods or services. This would then be available for lending all over again. Meanwhile, when the £1,000 plus interest was paid back, that is also available for the banks to lend. Where does the money come from? It is often assumed that it is money that savers accumulate in their bank accounts. In fact, banks can lend as much as twenty times the total amount in people's bank accounts, because they assume that not all their customers will want to take money out at the same time. In other words, when a bank lends money, almost all of it is created, well, out of nothing. It is this process repeated over and again that creates the vast bulk of money in circulation, mainly in the form now of numbers added and subtracted electronically to and from the bank accounts of people and businesses.

[5] This is also an issue in Britain. Since the deregulation of banking in the early 1980s, banks have been free to issue credit almost at will, the inflationary effect of which have mainly been expressed by the huge escalation of house prices.

profitable depending on what interest rates the banks could get away with charging borrowers – and how interest rates were regulated by the government. In addition, the central bank, apart from loans to commercial banks, could release money into the economy by crediting – say, every month – the current account of the government, which could spend it as it saw fit. The amount released would be according to how much money the Bank of England decided that the economy needed in order to function efficiently. This, of course, is rather a crucial decision. If there is not enough money in circulation, the economy will fail to achieve its potential or be liable to recession. Alternatively, if too much, it will lead to inflation because the money would lose value.

Such a measure would have the added bonus that the seigniorage arising from the creation of money would go to the central bank, and would therefore be available for public benefit instead of profiting the commercial banks, which is what happens now. Thus, currently, the creation of money by commercial banks has almost zero cost, yet is highly profitable because of the interest they get from lending, in effect, the same tranche of money over and again (which is the modern form of seigniorage that kings and emperors used to collect when turning gold into coins at their mints – except that it is now on a much vaster scale).

Achieving an economy based on common ownership

How to get to a society in which people everywhere owned and controlled their own livelihoods, their own enterprises – which surely is what democracy, let alone socialism, is about? In fact it is not such a big step. Consider this.

Today in Britain, around 80 per cent of all company shares owned domestically are owned by financial institutions – insurance companies, pension funds, unit and investment trusts, and others. Nationalise these and the government would instantly have control over a large chunk of British industry. One immediate benefit would be the chance to stop the capital created by the surplus labour performed by workers from haemorrhaging out of the country for more lucrative investments abroad at the expense of the British economy. Furthermore, nationalisation of the pension funds, including schemes currently run by insurance companies, would create the opportunity to establish a unified state-run scheme as proposed earlier.[6]

Otherwise, apart from the electricity and gas grids, and the water and railway infrastructures, which, as suggested already, should remain under state ownership, either nationally or locally, there is no need for the state to retain ownership of most other assets taken over. These could be handed over to the workers in the enterprises involved so that virtually all businesses, including banks and the insurance side of insurance companies, would become worker-owned enterprises.

What about compensation? First, people whose pension funds were taken over would not require compensation. They could simply be guaranteed the pensions that they were promised previously. Second, people with savings in unit and investment trusts and the like, including similar schemes offered by insurance companies, and individual and foreign shareholders – who currently own 16 per cent and 32 per cent of British company shares, respectively – can be offered long-dated index-linked government bonds, with interest rates roughly in line with, or perhaps slightly higher than, prevailing bank deposit rates. This would probably bring howls of protest. For the main attraction of owning shares, either directly or indirectly, is that higher returns are expected than if savings are left in banks. However, there is no reason why higher returns should be expected – they are only higher now at the expense of workers' wages, and in any case are not guaranteed.

[6] See footnote 3. Even private pension providers acknowledge that this is by far the most cost effective way of providing pensions for all – because it cuts out the many hundreds of go-betweens and their associated charges and commissions that private schemes find necessary, so that more money goes to pensioners.

Meanwhile, I don't believe the assets of firms when converted into worker-owned enterprises should be handed over for free. They should be subject to long-term, low or zero interest mortgage agreements, with repayments going towards financing the above-mentioned bonds. Obviously, with so many vested interests involved, ironing out all the financial details would likely be protracted, involving much hard bargaining, but this can take as long as it takes – and would not be so different from now when one firm takes over another. Everybody else could go about their normal business more or less as before.

The form the transition from capitalism to common ownership would take would depend very much on prevailing economic and political circumstances at the time, such as how run down or underdeveloped the economy had become, the size and nature of the enterprises to be transformed, as well as on attitudes of workers and managers. For large enterprises, including transnational corporations, with large numbers of shareholders, it is likely that governments would have to be involved. Here is one approach.

On the day selected for conversion, the government takes over the company's shares, exchanging them for, say, 30-year government bonds of equivalent value. The shares would then be transferred to the employees, paid for either out of the company's reserves, or through a mortgage repayable out of future profits. This would finance the interest payments on the bonds and their final redemption. That's it. In other words, it would be little more than an accountancy exercise. Normal productive activities could carry on more or less as before – not much different from now when one company is taken over by another. Production and service provision need not be interrupted at all. Productive activities could continue from one day to the next, just as they do now when workers learn that their firm has been taken over by another. During the process, it would probably make sense to break up some of the larger conglomerates into their component parts, or turn them into federations. (In many case mergers and acquisition that create conglomerates have been little to do with economies of scale but with the money that shareholders can make when the mergers take place, so that breaking them up would make little difference – indeed, most probably it would be an improvement because it would restore the focus on the core business of the enterprise.)

From a political point of view, it would probably be better to carry out the operation, at least for the major enterprises, all on the same day. That would minimise attempts by powerful vested interests opposed to common ownership from undermining the programme. However, the paperwork would not need to be completed all on that day – it could simply be backdated. In many cases, especially for small and private companies whose shares are not traded on the stock market, the government need not be involved at all – as in the case of existing enterprises that have already made the conversion (for example, the John Lewis Partnership, which is a form of common ownership, comprising 22 department stores, and over a hundred Waitrose supermarkets).

In short, common ownership, and the new workers' economy, would be built on the economic structure bequeathed to us by capitalism. During the transition, there need be little disruption. Workers and managers would carry on with their normal business as before. In time, no doubt, the worker-owned co-operatives would want to change from the traditional hierarchical management structure typical of capitalist enterprises to a more co-operative and democratic system. For larger enterprises, there would presumably still be the need for professional managers at different levels, appointed as now on the basis of their capabilities and experience. The major change, of course, would be that they would be answerable to a board of directors elected by workers (which might require a considerable change of attitudes on their part) – perhaps including non-executive representatives of local communities or creditors, such as banks, or others with a vested interest in the success of the business.

To be sure, all this might seem wildly utopian right now. Any political party with such an agenda and with any prospect of forming a government would find itself undermined by the full brunt of lying propaganda for which the British establishment and media are renowned. And even making it to government, it would likely face not only sabotage from opponents still with residual power, but also, probably, international sanctions that undermined the economy, or perhaps even outright military intervention. However, fearing what our enemies might do should not be an excuse to compromise our goal, only inform the strategy and tactics to adopt towards achieving that goal.

In fact, the daily struggles to defend jobs and pensions and so on, and generally to improve working conditions – which likely will need to be intensified over the coming period as more and more of what's left of our manufacturing industry is run down or transferred to underdeveloped, low-wage economies – are part of that strategy. It is just that having the ultimate goal of a society based on common ownership and the elimination of exploitation in mind would give those struggles more point, more coherence, more confidence – there would be some light at the end of the tunnel.

For example, getting new laws introduced that require the establishment of workers' councils and generally giving workers more say in the running of their work-places, become not just ends in themselves but steps towards full workers' control and management. Our enemies know that – which is why they fight employment rights all the way, and undermine such laws that already exist whenever they can. However, we need to be more strident in our propaganda – that it is an issue of democracy. How can a society be deemed democratic if workers in their work-places have no say in matters that fundamentally affect their livelihoods? All those myths about freedom and democracy churned out by the powers that be need to be thrown back in their faces until this battle is won.

Another form of struggle likely to become more important is workers occupying their work-places when threatened with closure. Again, this should be seen not just as a defensive measure but as a step towards workers running their own enterprises. In many cases, the excuse is that the enterprise is no longer profitable enough from the corporate point of view – that is not achieving the double-digit returns that they seek. But if run as a worker-owned co-operative, this would matter less, as long as the enterprise could sell enough to pay the workers' wages. Furthermore, there already exists an Employee Co-operative Council, which aims not only to support existing worker-owned co-operatives, but also to actively encourage the formation of new ones. For instance, it is working with owners of small businesses wishing to retire to turn the businesses into worker-owned co-operatives, so that they can continue to provide employment and services to the local community. There is also a new ventures panel which aims to identify new opportunities for establishing co-operatives in various areas of the economy. However, a major gap on this front, which I believe Co-operatives^{UK} should be turning its attention to as a matter of urgency, is a unit specialising in saving enterprises owned by large corporations that are about to be closed down following their decision to relocate elsewhere. In Argentina, following its economic meltdown, thousands of workers have set up co-operatives to save bankrupt workplaces from closure. We must be prepared for a similar scenario. Already, hardly a day goes by without some report of a business closing down. Turning these into worker-owned co-operatives would not only save people's jobs, but also help to preserve workers' skills so that they can be passed on to the next generation.

Furthermore, occupations throw up the problems of firms genuinely becoming insolvent because of competition from the sweatshops of the world. Thus, it raises the demand for tariffs on artificially cheap imports that undermine British jobs, as well as for trade unions of the world to do much more to help workers in those sweatshops achieve decent wages and work conditions. But we need to act fast before big business and their friendly Blair government run our industry entirely into the ground.

Conclusion

A first priority for any strategy aimed at developing a market economy based on worker-owned enterprises would be to win the economic argument – first within the labour movement, and second, among the electorate as a whole. People will want to know how they would be better off under the new system – not only in the short run, but also whether it is sustainable. Moreover, they might be concerned about their lives being disrupted during the transition from the capitalist system to one based on common ownership.

One way of illustrating how workers would be better off under common ownership is to expose how much profit each worker generates now for the companies where they work. For example, every worker in the main high street chain stores earns some £5,000 to £10,000 profit a year for their employers. Those employed by banks, including former building societies previously owned by their savers and borrowers now converted to banks, and those employed by leading manufacturers and service providers, including the major state-owned companies privatised by the Tory government under Thatcher, generate upwards of £30,000 a year, some as much as £60,000 a year. In other words, other things being equal, every worker employed by these firms, if under common ownership, could be between £5,000 and £60,000 a year better off. (In fact, not all those profits derive from the appropriation of workers' unpaid surplus labour. Some, perhaps most, arises from companies overcharging their customers. This would have to be addressed in an economy based on common.)

Finally, it needs to be pointed out that on a day-to-day basis, a market economy based on worker-owned co-operatives would function not much differently from today's capitalist economies – except that there would be no outside shareholders making money out of other people's labour, and no stock market. Workers, in effect, would be in control of their own surplus labour – whether to invest or save it for spending later. It would not only be a much fairer system, but hugely more efficient. It would be one in which everybody was being properly paid for producing something useful for everybody else and therefore providing a market for what everybody else is producing – which is what socialism is about – and is what capitalism is unable to accomplish.