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Marx, Lenin and the Cooperative Movement

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ABSTRACT Drawing upon the writings of Marx and Lenin, this article refutes the widely shared but incorrect assumption that Marx and Lenin rejected cooperation even as a mode of production for the transitional period. It reviews Marx’s belief that cooperatives would gradually supplant capitalistic firms, and that the generalised growth of cooperation would give rise to a new mode of production; the article also analyses Lenin’s 1923 article on cooperation in which not only is cooperation described as a major step in the transition to socialism, but even equated with socialism at large. The hypotheses of this article are supported through a close reading of these works and also shed light on numerous implications arising from this reading.

1. Introduction

The idea that producer cooperatives are non-capitalistic firms can be traced to the classics of Marxism, specifically Marx, Lenin and Gramsci. On several occasions, Marx praised cooperation as a movement whose generalised growth would give rise to a new mode of production. At different times in his life, he even seems to have believed that cooperatives would ultimately supplant capitalistic firms altogether. In a 1923 article entirely focused on this subject, Lenin described cooperation as a major organisational step in the transition to socialism and went so far as to equate it with socialism at large. ‘Cooperation is socialism’, he declared (Lenin, 1923, p. 1802). In L’Ordine Nuovo, Gramsci (1919–1922, p. 374) described workers’ councils as milestones on the road to socialism.

Despite these authoritative endorsements, the cooperative movement has received little attention from Marxists since the days of the Paris Commune. On closer analysis this should come as no surprise, since the type of cooperative that has made headway in history is a firm where workers are ‘their own capitalists’ (Marx, 1894, p. 571) and, as such, can barely support the claim that a system of producer cooperatives would give rise to a genuine form of socialism.

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Meanwhile, modern economists taking the cue from Benjamin Ward’s 1958 path-breaking article have provided evidence that the pure cooperative is Vanek’s Labor Managed Economy (LMF) (Vanek, 1971a, 1971b), a firm that self-finances its investments entirely with loan capital and strictly segregates labour incomes from capital incomes. As the workers of such a firm can hardly be described as ‘their own capitalists’, this goes to disprove the prevailing Marxist view that cooperatives are an intermediate form between capitalism and socialism.

The Vanek-type LMF model is a state-owned producer cooperative with a worker-elected management which is free to dispose of its capital goods at will and to use its surplus for capital accumulation and/or dividend distribution purposes. While it is true that the exact organisational lines of the cooperative firm envisaged by Marx and Engels are not clear, there is little doubt that the LMF model differs greatly from the type of cooperative that the pioneers of Marxism presumably had in mind. It should be emphasised at the outset that due to the freedom of the workers’ collective to run the business of the LMF as it thinks best, the status of the government as the firm’s ultimate owner will only acquire relevance in the event of an insolvency—a situation that falls outside the scope of our research object in this article. The assumption that the model of the firm implementing socialism is the Vanek-type LMF descends from its very definition, which suggests a potential for disempowering capitalists by vesting all corporate powers in workers, i.e. non-capitalists.

With the caution imposed by this line of reasoning, these reflections suggest that an efficient system of producer cooperatives would give rise to a socialist order capable of superseding capitalism in full harmony with Marxist thought (Jossa, 2012a). Consequently, to refute the widely shared yet incorrect assumption that Marx and Lenin rejected cooperation even as a mode of production for the transitional period, we will draw upon the writings of Marx and from Lenin’s 1923 article on cooperation.1

With reference to one of the main points of this article—modes of production—readers should be aware that it is consistently used in strict accordance with the definition provided by Marx himself in this well-known passage:

In the real production of their existence men inevitably enter into definite relations, which are independent of their will, namely relations of production appropriate to a given stage in the development of their material forces of production. The totality of these relations of production constitutes the economic structure of society, the real foundation on which arises a legal and political superstructure, and to which correspond definite forms of social consciousness (Marx, 1859, p. 263).

Let us add that the prerequisite for the emergence of a new mode of production is a radically different production organisation pattern, for example, the progress from the capitalistic maximum profit criterion to the logic of maximising utility in general and, specifically, the material and moral benefits accruing to the workforce (exactly the principle upheld by modern producer cooperative theorists).2

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1An English translation of this article is available in Lenin’s Collected Works, 2nd English Edition, Progress Publishers, Moscow.

2The definition of socialism underlying this paper may be found in Jossa (2012c).
2. Marx’s Approach to Producer Cooperatives

In 1899, Bernstein argued that Marx and Engels’ writings could be used to demonstrate anything and everything, and Kautsky (1960, p. 437) warned that it was impossible to rely absolutely on every one of Marx’s words because his remarks were often mutually contradictory. With reference to the social order that will replace capitalism these are widely accepted ideas.

Marx’s advocacy of cooperatives is revealed by the following passages.

In the Inaugural Address, Marx wrote (1864, p.11): But there was in store a still greater victory of the political economy of labour over the political economy of property. We speak of the co-operative movement, especially of the co-operat-ive factories raised by the unassisted efforts of a few bold ‘hands’. The value of these great social experiments cannot be over-rated. By deed, instead of by argument, they have shown that production on a large scale, and in accord with the behest of modern science, may be carried on without the existence of a class of masters employing a class of hands; that to bear fruit, the means of labour need not be monopolised as a means of dominion over, and of extortion against, the labouring man himself; and that, like slave labour, like serf labour, hired labour is but a transitory and inferior form, destined to disappear before associated labour plying its toil with a willing hand, a ready mind, and a joyous heart.

In the first volume of Capital, Marx speaks of joint-stock companies as firms that may lead to the abolition of the capitalist mode of production ‘within the capitalist mode of production itself’ and praises the cooperative movement:

The co-operative factories run by workers themselves are, within the old form, the first examples of the emergence of a new form, even though they naturally reproduce in all cases, in their present organization, all the defects of the existing system, and must reproduce them. But the opposition between capital and labour is abolished there, even if at first only in the form that the workers in association become their own capitalists, i.e. they use the means of production to valorise their labour. These factories show how, at a certain stage of development of the material forces of production, and of the social forms of production corresponding to them, a new mode of production develops and is formed naturally out of the old ... Capitalist joint-stock companies as much as cooperative factories should be viewed as transition forms from the capitalist mode of production to the associated one, simply that in one case the opposition is abolished in a negative way, and in the other in a positive way (Marx, 1894, pp. 571–572).

In the same volume of Capital, Marx also argues:

With the development of co-operatives on the workers’ part, and joint-stock companies on the part of the bourgeoisie, the last pretext for confusing profit of enterprise with the wages of management was removed, and profit came to appear in practice as what it undeniably was in theory, mere surplus-value, value for which no equivalent was paid (Marx, 1894, pp. 513–514).

On reading that Marx held ‘cooperative factories’ to provide evidence that hired labour, like slave and serf labour, ‘is but a transitory and inferior form, destined to disappear’, it can be reasonably assumed that he also looked upon an all-cooperatives system as a new mode of production, ‘in accord with the behest of modern science’,
arising right within the older mode of production and supplanting it. In other words, the ultimate indication emerging from these passages is that Marx looked upon a system of producer cooperatives not only as feasible, but as bound to assert itself in history, as a new form of society where privately owned means of production—capital—would cease being used to enslave workers. In such a system, he claimed, workers would be freely and gladly working for firms managed by them. In particular, the idea that cooperatives will give rise to a new mode of production is clearly expressed by his words ‘these factories show how . . . a new mode of production develops and is formed naturally out of the old’.

One of the reasons for Marx’s strong endorsement of the introduction of cooperatives and the abolition of hired labour is that (from the perspective of an opponent of capitalism) producer cooperatives realise such a basic component of political democracy as economic democracy. Indeed, Marx, Marxists and other critics of the existing social order concordantly rate political democracy as merely formal when power remains firmly in the hands of capitalists; in other words, when capital is still the economic power holding everything in its sway.

Capitalist production has itself brought it about that the work of supervision is readily available, quite independent of the ownership of capital. It has therefore become superfluous for this work of supervision to be performed by the capitalist. A musical conductor need in no way be the owner of the instruments in his orchestra, nor does it form part of his function as a conductor that he should have any part in paying the ‘wages’ of other musicians. Cooperative factories provide the proof that the capitalist has become just as superfluous as a functionary in production as he himself, from his superior vantage-point, finds the large landlord (Marx, 1894, p. 511).3

Here, Marx was clearly thinking of a system stripping capitalists of all economic power.4

The idea that Marx equated cooperation with a new mode of production is also consistent with his firm belief that socialism would materialise as a spontaneous offshoot of the supersession of the severest contradiction of capitalism. This, in turn, poses the need to identify this basic contradiction.

The first idea to cross the minds of Marxists and non-Marxists alike is the capital-labour polarity. For example:

[1]The first contradiction we come up against in capitalism is the conflict between capital and labour, between capitalists as a class and workers as a class. The former own capital; the latter are bereft of it. The profits of the former amount to the value of the work for which the latter have not been remunerated (Godelier, 1966, p. 29).

3In *Antidüühring*, Engels (1878, p. 281) described cooperatives as ‘transition measures to the complete communistic organisation of society’ and maintained that following the development of joint-stock companies and trusts, ‘the bourgeoisie demonstrated to be a superfluous class’ (Engels, 1878, p. 642).

4For more detailed analyses of Marx and the cooperative movement see Jossa (2002, 2005 and 2012b).
If this is actually the main contradiction of capitalist systems, it is clear that it would be literally swept away by a system of Vanek-type LMFs that reverse the capitalistic relation between capital and labour and replace the maximum profit principle with the criterion of maximising the benefits accruing to the workers that make all corporate decisions (Jossa, 2003).

Although it is possible to object that Marx and Engels may have had in mind a different contradiction of capitalism, a reading of Marx’s writings will doubtless support the contention that the capital-labour conflict has an overriding weight in his overall approach. On closer analysis, the passages quoted do not reveal exactly what Marx meant by ‘co-operative factory’; nor do they tell us, specifically, whether or not he assumed this firm to be the property of the workers’ collective or the State. However, since modern producer cooperative theorists (and especially Vanek in his seminal 1970 volume) have made it clear that the LMF (the firm we have in mind) should be publicly owned, there are reasons to argue that this model of the firm is closely bound up with socialism—a system that Marx held to be depicted by the nationalisation of all means of production.

3. Lenin’s 1923 Article

As stated earlier, Lenin assumed that a system of producer cooperatives could take the place of capitalism. In *Life of Lenin*, Fischer (1964, vol. II, p. 957) reports that, after the introduction of the New Economic Policy (NEP) in response to the libertarian rebellion in Kronstadt, Lenin used his insights from reading a vast number of books on the cooperative movement to dictate an article (*On Cooperation*), which appeared in the *Pravda* on 26 and 27 May 1923 and proved to be ‘so innovative as to take the whole party by surprise’ (Botta & Martinet, 1976, p. 240). Lunacárskij suggests that many of the slogans launched by Lenin in this article were at first received with puzzlement and rated as absurd, although subsequently they were found to be rich in valuable implications (Strada, 1980, p. 117).

Following the advent of Stalin, this particular article fell into oblivion inside and outside the USSR and is little known even today, although it marks a turning point in Lenin’s political thinking. As it includes both his conclusion that ‘we have no way out but to admit that all our opinions on socialism have radically changed’ (Lenin, 1923, p. 1802) and the claim that socialism is to be equated with cooperation, a correct appraisal of its bearing on the evolution of Lenin’s thought reveals a radical change of opinion, which resulted in a turn away from central planning.

In his 1923 article on cooperation, Lenin (1923a) argued that the burgeoning role of the cooperative movement within the framework of the New Economic

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5An interesting comment on Lenin is found in Strada (1980, p. 125): ‘Lenin often strikes us as being an experimenter who does not adopt a rigid plan, but proceeds by subsequent adjustments.’

6It is not mentioned in Lukács’ Lenin (1924), Meyer’s Leninism (1957), Tonini’s Cosa ha detto veramente Lenin (1967), Deutscher’s Lenin (1970), Cortesi’s La rivoluzione leninista (1970), Lorenz’s paper La costruzione del socialismo in Lenin (1974), Johnstone’s paper Lenin e la rivoluzione (1980) or the collection of Lenin’s articles about The Construction of Socialism which were published in Italy in 1972.
Policy was a clear indication that the task, at once simple and complex, that lay before them was to organise the bulk of the population into cooperatives. In essence, he wrote, we actually need ‘to organize the population of Russia in cooperative societies on a sufficiently large-scale’ (Lenin, 1923, p. 1797). However, Lenin made the establishment of a socialist system dependent on two prerequisites, i.e. both the public ownership of cooperatives and a party-controlled state organisation effectively representing the interests of the working class.

Yet on reaching the conclusion that the task before them was to organise the bulk of the population into cooperatives, Lenin simultaneously realised that his views concerning the very nature of socialism had undergone radical change. Now he argued ‘we are entitled to say that the mere growth of cooperation . . . is identical with the growth of socialism’, and ‘at the same time, we have to admit that there has been a radical modification of our whole outlook on socialism’ (Lenin, 1923, p. 1802). Cooperation, he continued, ‘which we formerly ridiculed as huckstering’, constitutes the social regime we have to support by any means. As soon as those advocating a transition to communism seize power ‘cooperation under our conditions nearly always coincides fully with socialism’ (Lenin, 1923, pp. 1797–1803).7

Accordingly, this article is evidence that by 1923 Lenin had come to think of cooperation, not as a component of the NEP but as the regime that better than any other could help establish a real and proper socialist order.8 We look at cooperation, he wrote, from a perspective that has so far been underrated, i.e.: [t]he transition to the new system by means that are the simplest, easiest and most acceptable to the peasant . . . But this again is a fundamental importance. It is one thing to draw out fantastic plans for building socialism through all sorts of workers associations, and quite another to learn to build socialism in practice in such a way that every small peasant could take part in it. That is the very stage we have now reached (Lenin, 1923, p. 1798).

As cooperation ‘is adjustable to the level of the most ordinary peasant’, at last we are in a position to argue that ‘there are no other devices needed to advance to socialism’ (Lenin, 1923, p. 1799). Consequently, in Lenin’s later approach, cooperation is described as the appropriate road, at last discovered, leading to the edification of socialism.9 He wrote that: ‘Owing to the special features of our political system cooperation acquires an altogether exceptional significance’, so much so that it is possible to say—let us repeat this—‘that it coincides fully with socialism’ (Lenin, 1923, pp. 1801–1802). By 1923 Lenin had ceased believing that central planning was the prerequisite for the attainment of commun-

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7It is clear that Lenin was not concerned with the ownership of means of production but with the social relations of production, which is why he looked upon the cooperative regime as ‘the socialist regime’.

8Lenin described the NEP as ‘State capitalism’ and held it to be superior to war communism (Lenin, 1921a, 1921c, pp. 200–201; 1922b, 1922d, pp. 1745–1746). Cooperation is doubtless superior to the NEP and amounts to socialism proper also for this reason.

9Accordingly, we do not share the claim (Hegedus, 1980, pp. 538–539) that in Lenin’s theoretical approach the role of state-owned firms in realising the values of socialism by far exceeds that of cooperatives.
ism. ‘Our state apparatus is so deplorable, not to say wretched—that we must first think very carefully how to combat its defects’ (Lenin, 1923, p. 1815).

4. Bukharin’s Analysis of Lenin’s Article

The guiding principle against which Bukharin tested Lenin’s article was the belief that the initial post-revolutionary stage, i.e. socialism, was to be kept strictly separate from communism, the hoped-for end-stage and acme of the revolutionary process. Moreover, he clearly emphasised that in the initial post-takeover phase the victorious revolutionaries would have to postpone the introduction of planning and rely on markets and cooperation instead. From Bukharin’s perspective, evidence of the lasting success of the revolution was an economic growth rate commensurate with those recorded in capitalistic countries. He had read (and quoted) the 1920 article by the liberalist economist von Mises, which ignited the well-known 1930s debate on planning and remarked that backward economic units were being integrated into the burgeoning economy of the state in a variety of different ways but principally via the market (Bucharin, 1925b, p. 160). The reason why planning should be deferred, he argued, was that any strategy founded on coercive top-down commands was bound to prove abortive (Bucharin, 1925b, p. 159). Given that he held the NEP’s most significant point was to have lifted the ban on private initiative and to have placed peasants and the middle classes in the service of socialism, he suggested also holding on to this strategy in the future. After a long drawn-out confrontation with the remnants of private capital and sizeable gains in economic power, he wrote, the state would certainly manage to induce both those economic entities that were already working in unison with the Party and so far antagonistic players to espouse and advance the Party’s cause (Bucharin, 1925b, p. 160).

Bukharin concluded that this new course was possible because the risk of a return to capitalism was now remote which he rated as an improvement over the previous conditions. It necessitated, he suggested, the dropping of their long-held view that capitalism was to be overthrown almost overnight by abolishing markets promptly after the takeover (Bucharin, 1925b, p. 161). He also argued that this new course entailed a departure from the NEP, whose launch he perceived as a temporary step backward within a slow and lengthy process.

In summary, the true reason for Bukharin welcoming the new ideas expressed in Lenin’s 1923 article on cooperation is that they coincided with his own. Discussing Lenin’s concern that the rate of growth of the post-revolutionary economic system might prove rather weak, he remarked (Bucharin, 1925b, p. 161) that the strategic plan underlying Lenin’s article on cooperation—a testament of sorts—differed sharply from the rationale behind the NEP, which envisaged leaving firms in the hands of capitalists. On realising that the staunchest

10Lenin’s opinion on Bukharin is well known: ‘Bukharin is not only the greatest and most valuable theoretician in the party; he is also rightly considered the favourite of the whole Party, but his theoretical views can be classified as fully Marxist only with great reserve, for there is something scholastic about him’ (Lenin, 1922c, p. 1775).
enemies of socialism, the lower middle classes and the peasantry, were not easily involved in the new course, Lenin had ceased advocating a centrally controlled system to suggest using the mediation of large capitalists, especially public-sector licensees (Bucharin, 1925b, p. 162). In other words, he had resolved to create a new class bloc. The innovative points of Lenin’s 1923 article were, on the one hand, his call for an alliance of workers and peasants against large capitalists and the remnants of private capital in general and, on the other, the description of cooperatives as socialist firms, i.e. businesses ‘founded on land and on means of production which are the property of the State, i.e. of the working class’ (Bucharin, 1925b, p. 163). Relevant here is the interpretation of Preobrazensky (1926, pp. 25ff.) where he claims that Lenin thought of the cooperatives as producer cooperatives not as cooperatives designed to operate commodities exchange.

5. Recent Analyses of Lenin’s Article

Although Lenin’s 1923 article on cooperation has been largely ignored since Stalin’s rise to power, there are some exceptions. The Israeli philosopher Martin Buber, for example, rates Lenin’s 1923 article as a major review of cooperatives (Buber, 1950, p. 143), but depicts Lenin’s system of cooperatives as a vast compound of bureaucratically managed, centralised state production and distribution establishments implacably designed to organise production and consumption in such a way as to stifle any impulse to free association. The idea that Buber may have been influenced by some of Lenin’s earlier writings needs to be supported by precise bibliographic references (which are lacking in Buber’s analysis) because they conflict with the fact that even in earlier writings Lenin expressed views in agreement with our interpretation.

In a short overview of Lenin’s later writings, the renowned editor of Gramsci’s Prison Notebooks, Valentino Gerratana, suggests re-examining his 1923 article in conjunction with the ‘Notebooks’ (Gerratana, 1970, p. 259–264). Unfortunately, Gerratana fails to pinpoint the exact links between such a review and Lenin’s declared reconsideration of his previous beliefs. The argument that Lenin’s advocacy of cooperation is closely associated with the NEP, the scheme that Lenin perceived as a temporary ‘retreat’, is barely more convincing since the passages where Lenin equates socialism with cooperation make no mention of any move backward (Medvedev, 1980, pp. 558–559).

An additional reference to Lenin’s later thoughts is found in Lenin e i soviet, an article by the Italian historian of political theory Massimo Salvadori (1972, p. 56) where sovietism is described as a practical scheme designed ‘to facilitate the access of the masses to public life’ rather than ‘an ideology or a socio-political

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The fact that Bukharin shared this idea emerges from an article dated 15 January 1925 (Bucharin, 1925a, p. 116), where he wrote that the aim to be pursued by any means was to create a worker-peasant bloc and ensure proletarian hegemony within the bloc. In fact, this idea was first expressed by Lenin even before 1923, for example, when he wrote: ‘the main thing now is to advance as an immeasurably wider and larger mass, and only together with the peasantry’ (Lenin, 1922a, p. 1742; Lenin, 1921b, pp. 318–320; 1921c, pp. 197–199).
state organisation scheme to be juxtaposed with less markedly “leftist” con-
ceptions of socialism’ (Salvadori, 1972, p. 53). According to Salvadori, sovietism
arose within the workers’ movement as a practical experiment during the revolu-
tion of 1905 (Salvadori, 1972, p. 54) and took Lenin by surprise. It was only after a
long period of hesitation and wavering, he argues, that Lenin reached the con-
clusion that the soviets were reviving the Commune and sovietism was a means
of implementing proletarian democracy and establishing the proletarian State
(Salvadori, 1972, pp. 54–55). Although we share this conclusion, we must
stress our surprise that Salvadori, a scholar who lucidly diagnosed the mature
Lenin’s wish to caution against the evils of mounting bureaucratisation and the
risks stemming from Stalin’s burgeoning influence (Salvadori, 1972, p. 68),
ever mentions Lenin’s 1923 article.

From a recent monumental history of communism by a well-known historian
specialising in contemporary history, Luigi Cortesi, we learn that later in life when
reviewing the Bolshevik revolution, Lenin found that the resulting social order
was characterised by a compound of pre-modern and excessively advanced
aspects, and radically reconsidered his previous beliefs (Cortesi, 2010, p. 533).
In Cortesi’s words, Lenin’s self-directed criticism casts a blot on his reputation
as a man who steadily and lucidly pursued his goal without wavering (Cortesi,
2010, p. 533). Cortesi traces Lenin’s puzzling self-criticism to misgivings about
a totalitarian involution of the state apparatus, which haunted his mind in the

Although the implementation of the scheme underlying State and Revolution
was out of the question in the post-revolutionary years it would be a gross
mistake to ignore the close link between Lenin’s poignant awareness of the
risk of bureaucratisation and the beliefs he held in 1917, i.e. the unifying thread
in his theoretical approach.\footnote{On the subject of a unifying thread in Lenin’s thought, see also Chitarin (1973, pp. 16–17).}

Although not entirely off the mark, both Cortesi’s interpretation of Lenin’s recon-
sideration of the past as a sign of consistency and his reference to State and Revo-
lution fail to shed full light on the point we are discussing. One step in the unitary
evolution of Lenin’s thought is Left-Wing Communism: an Infantile Disorder, a
1920 article that is incorrectly thought to be ‘principally aimed against Gorter
and Pannekoek, the spokesmen for council communism’ (Negt, 1979, p. 322),
but is actually concerned with disproving the assumed existence of two commu-
nist parties ‘arrayed against each other’. Lenin denied that a party of leaders,
intending to steer the revolutionary struggle from the top and create a dictatorship
of the proletariat, was engaged in a head-on clash with mass party thinking of
revolution as an upsurge from the bottom and wanting to establish the dictatorship
of the proletariat as a class (Lenin, 1920a, p. 1398). In his opinion, the antithetical
groups were, on the one hand, those altogether inimical to the idea of a party-led
revolutionary struggle and, on the other, those wishing the revolution to be steered
by a strong and well-organised party supported by the masses and conceiving of
the takeover of the proletariat as a class, not party-dictatorship.
As for factory councils, in his 1920 article Lenin unconditionally endorsed soviet power as an idea that ‘has emerged throughout the world and is spreading among the proletariat of all countries with extraordinary speed’ (Lenin, 1920, p. 1389, original emphasis) and denounced the ‘false use’ of councils by the Mensheviks, who ‘went bankrupt because of their inability to understand’ their role and significance. He concluded that ‘the work of the Party is carried on through the Soviets’, i.e. ‘democratic institutions the likes of which even the best of the democratic republics of the bourgeois world have never known’ (Lenin, 1920, p. 1403).

On closer analysis, therefore, although Lenin intended his 1920 article as an attack against Pannekoek, he was distancing himself not so much from the spokesman for council communism as from the main failing to recognise the huge contribution of an efficient organisational effort to the success of the revolution (Lenin, 1920, pp. 1400–1402). Similarly, while Rosa Luxembourg is certainly among the targets, Lenin was not censuring the theorist of workers’ councils but the person who made the lucid remark (as early as 1905) that:

\[\text{[t]he elimination of democracy} \ldots \text{is worse than the disease it is supposed to cure: for it stops up the very living source from which alone can come correction of all the innate shortcomings of social institutions} \ (\text{Luxemburg, 1905, pp. 594–595})\]

and the first to recognise the seeds of the future involution of Soviet society both in Lenin’s notion of the party and in other aspects of his approach (Negt, 1979, p. 321).

Bearing in mind the direction in which Lenin’s thought was heading, the self-critical tone of his 1923 article is to be viewed in association with his ‘political testament’, the text in which he predicted the feared bureaucratic degeneration of the party and which can consequently be read as a partial conversion to Luxembourgh’s ideas. As will be subsequently shown, the 1923 article points to a certain measure of continuity within the theoretical approach of Lenin, the theoretician of the death of the state. Fears of a bureaucratic involution of the party induced him to proclaim that a system of producer cooperatives operating in the market under the lead of the communist party would both realise socialism and inhibit risks of an anti-democratic involution. Due to his faith in the party, Lenin was confident that as long as the communist party remained well established and firmly in power, these cooperatives, far from fostering a return to capitalism, would work towards the full attainment of socialism within a market economy and would therefore help establish a democratic form of socialism exempt from the risks of involution. To this end, it should be noted that the NEP envisaged a greater role for soviets (Anweiler, 1958, p. 469).

6. Delving Deeper into the Issue

What is our final interpretation of Lenin’s 1923 article? Although we basically share Bukharin’s interpretation, we wish to place greater emphasis on the reflections that turned Lenin from an advocate of a system of state-owned firms employing hired labour into a supporter of cooperation. In our opinion, the novelty of Lenin’s 1923 article lies both in the insight that socialism can be implemented
through a system of cooperative firms and in his consequential move away from
the idea of state socialism, a form of socialism that takes over from capitalism’s
strong concentration of firms and manages the economy from the centre. In
other words, in his intellectual maturity, Lenin foreshadowed the idea of contem-
porary producers’ cooperatives theorising that a system of democratic firms
amounts to a socialist order.

In point of fact, close scrutiny reveals that Lenin’s 1923 article is less inno-
vative than would appear at first sight. Both his belief that socialist firms would
have to operate in a market economy for a considerable period of time, and
his theorisation of the soviet system as a tool for the transition to socialism,
pre-date the revolution. After the October Revolution, he welcomed ‘the
gradual transformation of the councils from revolutionary tools to the agents of
the newly-established state power’ (Anweiler, 1958, p. 402). In the 1920 Theses
on the fundamental tasks of the Second Congress of the Communist International,
a text that includes words of appreciation for the political programme that the
well-known advocate of workers’ councils Antonio Gramsci had framed in
L’Ordine Nuovo, Lenin argued:

Concerning the Socialist Party of Italy, the Second Congress of the Third
International considers that the criticism of that party and the practical proposals
submitted to the National Council of the Socialist Party of Italy in the name of
the party’s Turin section, as set forth in L’Ordine Nuovo of May 8, 1920, are in
the main correct and are fully in keeping with the fundamental principles of the

To our knowledge, however, in the period before the revolution Lenin never defined
the exact role that the soviets were expected to play in post-revolution production
processes, and this is why their place in a socialist society has remained unclear
to this day. In Carr (1953, pp. 474-475) we read that following the revolution:

[t]here were material risks of a conflict between ‘state control’ and ‘worker
control’ in the field of industrial policy. If the true meaning of ‘worker
control’ was placing administrative tasks in the hands of the central congress
of soviets and its managing committee, it was just a synonym for nationalisa-
tion . . . Conversely, if its meaning was placing control into the hands of
factory committees or soviets, its implementation was likely to interfere both
with state control and with any planning policies designed to reverse the anar-
chical character of capitalistic production processes.

For a long time, Lenin failed to state his opinion on soviets clearly (Salvadori,
1972, pp. 54–55, 59). In contrast, Lenin emphasised the need to construct social-
ism out of the very bricks of the bourgeoisie. Discussing the control issue (Lenin,
1917b), he maintained that, far from complex (as was generally assumed), the
control issue was actually ‘very easy and quite practical’ since ‘the principal
measure, the chief method to introduce control’ is ‘uniting the population accord-
ing to profession, purpose and work, branch of labour, etc.’ (Lenin, 1917b, p. 802).
‘Bureaucracy must be abandoned for democracy’, he wrote:

[t]he initiative of workers and other employees must be drawn on; they must be
immediately summoned to conferences and congresses; a certain proportion of
the profits must be assigned to them, provided they institute overall control and increase production and the principle of commercial secrecy must be abolished (Lenin, 1917b, pp. 810–811).

In matters of competition and incentives, before the revolution Lenin thought that competition was to be organised by the socialist state. He wrote:

Far from extinguishing competition socialism for the first time creates the opportunity for employing it on a really wide and on a really mass scale, for actually drawing the majority of working people into a field of labour in which they can display their abilities (Lenin, 1917a, p. 386).

Further on, in the same article, he also added:

Competition must be carefully organised among practical operators, workmen and peasants. Every attempt to establish stereotyped forms and to impose uniformity from above […] must be combated … All ‘communities’ – factories, villages, consumers’ societies and committees of suppliers – must compete with each other (Lenin, 1917a, p. 393).

In this respect, Meyer (1957, p. 220) has argued that Lenin thought of emulation ‘as a tool to oblige work-dodgers to work for the state’ and that ‘the fact that people had to be forced to see to their work came as a hard blow both to proletarian aspirations and previous socialist theorists’. In The Impending Catastrophe, Lenin recommended changes to the pre-revolutionary political apparatus, but concerning the remaining institutions and organisational bodies of the older system he simply suggested changing the status of the workforce (Lenin, 1917b, pp. 804–805).

There is general agreement that the assessment of workers’ councils is strictly dependent on the uses to which they are assigned at each stage in history (for example, see Chitarin, 1973, pp. 15–16; Negri, 1974, pp. 95–98). Our approach so far suggests that before the revolution and at the time he wrote his 1923 article, Lenin believed that post-revolution factories would have to operate in a market economy for a long time, while the gradual dismantlement of soviets was imposed by the central decision-processes associated with the introduction of the dictatorship of the proletariat and war communism. At that time, Lenin believed in the future of worker control. The prevailing climate in the country, Massari (1994, p. 73) comments, the disappearance of factory owners and the enthusiasm kindled in workers by the awareness of their newly-gained power, even heightened such expectations. In a practical manual published in December 1917, self-management and the maintenance of the decision-making powers of soviets are clearly said to be the prerequisites for worker control.

On closer analysis, Lenin’s opposition to soviet rule in the post-revolutionary period may be traced to an adverse record of experience, especially the awareness that a besieged country offered little scope for establishing an advanced democratic organisation (Anweiler, 1958, p. 433).13 Given the prevailing opinion that...

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13Lewin (1969, p. 18) states: ‘Factory committees, workers’ councils, worker control, genuine bodies which had spontaneously arisen from the revolutionary thrust sparked off by the seizure of power … generated nothing but chaos which threatened to bring the country’s production apparatus to a standstill’.
times were not ripe and that the civil war raging at home and the international situation were fraught with risks, Lenin took a firm stand against revolutionary socialists, anarchists, revolutionary communists and popular communists, i.e. the factions who were pressing for the prompt establishment of a council system and a workers’ republic.14

Lenin’s stout opposition to factory councils immediately after the revolution can hardly be denied. Quoting Anweiler (1958, p. 446) again:

The victory of the Bolsheviks resulted in changes in the very rationale behind councils: from radical democratic institutions and tools for proletarian self-government, the Russian councils had turned into the instruments used by the party elite to steer the masses. Concepts such as ‘the party as a steering organ’ or ‘soviet as transmission belts’ are in stark conflict with the plan to create self-governing masses and cancel the distinction between ‘top’ and ‘bottom’ that Lenin had launched in 1917 and popularised through the Bolshevik propaganda apparatus.

In the early post-revolutionary period, the soviets were no longer looked upon as the springboard for the hoped-for self-governed economy. Significantly, Section 7 of the General Instructions on Worker Control, published in the Izvestia on 13 December 1917, ruled: ‘The Control Commission has no part in running firms and is not responsible for their operation or performance: factories remain firmly in the hands of their owners’ (AA. VV. 1970, p. 29)! Within the evolution of Lenin’s thought, his 1923 article marks a return to his initial, impassioned advocacy of soviets, a return that was made possible by the awareness that the country’s economy was now tolerably stable, that power was firmly in the hands of the workers’ party and that State control could consequently be done without.

7. Lenin and the Situation in Post-Revolution Russia

A few additional excerpts from speeches and writings dating from previous years reinforce our own reading of Lenin’s 1923 article and shed further light on Lenin’s

14‘The Bolsheviks were facing a real dilemma: if, in line with their political platform, they reduced their control on soviets in order to favour the growing involvement of the masses in administrative and governmental processes, there was the risk that these might come under the influence of the opposition’ (Anweiler, 1958, p. 451). Nevertheless, the violent repression of the Kronstadt revolt at the orders of Lenin and the Bolsheviks can barely be justified. Its instigators, who were stout supporters of the council system, proclaimed that the soviets, not the Constituent Assembly, were the bulwark of workers (Anweiler, 1958, p. 466). In an article published in the Izvestija in March 1921 (quoted in Anweiler, 1958, p. 467) we read: ‘Through the October revolution, the working class hoped to acquire its freedom. The result was a condition of even greater serfdom. Power was transferred from the police officers in the service of the monarchy to the hands of usurpers – communists – and the result is that instead of obtaining their freedom workers are now terrorised by the Ceca... It is better to die than live under this communistic dictatorship... Kronstadt is the trumpet call for the third revolution, which will help workers shed the newly-imposed chains and clear the way for the construction of socialism’. In this respect, Anweiler (1958, p. 468) comments that the anti-Bolshevik nature of this revolt ‘was, at the same time, clear evidence of the cleavage between Bolshevik dictatorship and the ideal origins of council power’.
views concerning major issues impinging on the way the economic system of post-revolutionary Russia was to be organised.

For a long time, Lenin kept soviets and cooperatives strictly apart. In his opinion, the soviets were instruments of direct democracy, and as they enabled workers and peasants to voice their views and demands, they were to remain operational as long as this was compatible with the dictatorship of the proletariat. At the other end of the spectrum were workers’ and producers’ cooperatives, which were democratically organised firms called upon to take charge of production. He argued (Lenin, 1918c, p. 100):

The democratism of Soviet power and its socialist nature are expressed in the fact that the supreme state authority is vested in the Soviets, which are made up of representatives of the working people (workers, soldiers and peasants), freely elected and removable at any time by the masses hitherto oppressed by capital

and

[i]here is not the slightest doubt that the further the gains of the October Revolution go, the more profound the upheaval it started becomes, the more firmly the socialist revolution’s gains become established and the socialist system becomes consolidated, the greater and higher will become the role of the Economic Councils, which alone of all the state institutions are to endure (Lenin, 1918b).

In those years, Lenin was persuaded that:

[s]oviet government was obliged in certain cases to take a step backward, or to agree to compromise with bourgeois tendencies. Such a step backward and departure from the principles of the Paris Commune was, for example, the introduction of high salaries for a number of bourgeois experts. Such a compromise was the agreement with the bourgeois co-operatives concerning steps and measures for gradually bringing the entire population into the co-operatives. Compromises of this kind will be necessary until the proletarian government has put country-wide control and accounting firmly on its feet (Lenin, 1918a).

The quotes below also reveal Lenin’s awareness that handling the post-revolutionary economy would prove a highly challenging undertaking.

We must build our economic edifice as we go along, trying out various institutions, watching their work, testing them by the collective common experience of the working people, and, above all, by the results of their work. We must do this as we go along, and, moreover, in a situation of desperate struggle and frenzied resistance by the exploiters, whose frenzy grows the nearer we come to the time when we can pull out the last bad teeth of capitalist exploitation (Lenin, 1918b).

Specifically, the awareness that the task confronting the revolutionaries was a demanding one induced Lenin to protract both the NEP and markets. He wrote (Lenin, 1918b):

We could never claim, and no sensible socialist who has ever written on the prospects of the future ever even thought, that we could immediately establish and compose the forms of organisation of the new society, according to some predetermined instruction and at one stroke.
In Lenin’s estimation, the difficulty to involve bourgeois experts was the main obstacle to the effective governance of the economy. In his speech to the First Congress of Economic Councils (Lenin, 1918b) he argued:

Now that power is in the hands of the proletariat and the poor peasants and the government is setting itself tasks with the support of the people, we have to achieve these socialist changes with the help of bourgeois experts who have been trained in bourgeois society, who know no other conditions, who cannot conceive of any other social system. Hence, even in cases when these experts are absolutely sincere and loyal to their work they are filled with thousands of bourgeois prejudices, they are connected by thousands of ties, imperceptible to themselves, with bourgeois society, which is dying and decaying and is therefore putting up furious resistance.

In their effort to master the difficult task confronting them, he added, the revolutionaries had as yet not received the support of any Marxists.

Of all the socialists who have written about this, I cannot recall the work of a single socialist or the opinion of a single prominent socialist on future socialist society, which pointed to this concrete, practical difficulty that would confront the working class when it took power, when it set itself the task of turning the sum total of the very rich, historically inevitable and necessary for us store of culture and knowledge and technique accumulated by capitalism from an instrument of capitalism into an instrument of socialism (Lenin, 1918b).

Moreover, as Lenin knew all too well, the hope to obtain the spontaneous collaboration of millions of people in the centralised governance of the economy was utterly unrealistic, and within this awkward state of affairs he saw no way out but to vest full powers in cooperatives. The above-quoted 1923 article runs:

Collective experience, the experience of millions can alone give us decisive guidance in this respect precisely because, for our task, for the task of building socialism, the experience of the hundreds and hundreds of thousands of those upper sections which have made history up to now in feudal society and in capitalist society is insufficient. We cannot proceed in this way precisely because we rely on joint experience, on the experience of millions of working people ... With the transition of all power – this time not only political and not even mainly political, but economic power, that is, power that affects the deepest foundations of everyday human existence – to a new class, and, moreover, to a class which for the first time in the history of humanity is the leader of the overwhelming majority of the population, of the whole mass of the working and exploited people – our tasks become more complicated. It goes without saying that in view of the supreme importance and the supreme difficulty of the organisational tasks that confront us, when we must organise the deepest foundations of the existence of hundreds of millions of people on entirely new lines, it is impossible to arrange matters as simply as in the proverb ‘measure thrice and cut once’ (Lenin, 1918b).

And the reason is—he concluded—that by far the greatest obstacle to the effective organisation of production is ‘the problem of labour discipline’ (Lenin, 1918b)
8. Different Readings of Lenin’s 1923 Article

Those doubting Lenin’s conversion to the socialism=cooperation identity may nevertheless object that his real plan was to organise peasants (the last surviving bourgeois class) into cooperatives while continuing to employ hired labour in the state-owned industrial sector and that his ultimate aim was to advance socialism by dialectically juxtaposing a capitalistic sector (farming) with a genuinely socialist sector (state-owned industry), organising the former into cooperatives and the latter into large state-owned concerns and framing a well-thought-out strategy to ensure the predominance of industry over farming (Preobrazenskij, 1925).\footnote{This approach is also recommended by Nove (1980, pp. 625–626) and, in part, by G. Martinet, who finds in Lenin’s later writings, and especially his ‘famous article on cooperation’, ‘major interesting suggestions and an overall attitude which calls for respect’ (Botta & Martinet, 1976, p. 31).} This seems to be confirmed by Lenin’s argument that ‘they look down on cooperative societies, failing to appreciate their exceptional importance... from the standpoint of transition to the new system by means that are the simplest, easiest and most acceptable to the peasant’ (Lenin, 1923, p. 1798; original emphasis) and by an even more significant passage running as follows:

Success in the practical work that now lies ahead will depend largely on the establishment, through the medium of commodity exchange, of proper relations between urban industry and agriculture. It will depend on the ability of the cooperative societies, by steady and persistent effort, to clear the way for the development of commodity exchange and to take the lead in this field. It will depend on their ability to collect the scattered stocks of commodities and to secure the production of new ones. In the long run, the practical solution of these problems is the best way to achieve our aims, namely, to restore agriculture and, on that basis, to strengthen and develop large-scale industry (Lenin, 1921d).

It is our contention that this argument is in stark conflict with explicit statements made by Lenin in his 1923 article, i.e. the admission that the NEP had produced ‘a radical modification in our whole outlook on socialism’ and the claim that ‘cooperation nearly always coincides fully with socialism’ (Lenin, 1923, p. 1802). Indeed, if this is true, we do not see why the cooperative form should not be extended to the industrial and service sectors as well.

A different, though equally radical criticism of our approach is put forward by critics who argue that Lenin had no correct appreciation of the part played by the petty bourgeoisie in a class conflict that he tended to restrict to workers and large capitalists as the main antagonists. He wrote (Lenin, 1918c):

All of us very well realise that there can only be one alternative in our class struggle: recognition either of the rule of capital or of the working class. We know that all the attempts by the petty-bourgeois parties to form and pursue their policy in the country are doomed to failure before they even start. We have clearly seen and experienced several attempts by various petty-bourgeois parties and groups to push through their policy, and we see that all attempts by intermediate forces are bound to end in failure.
Accordingly, concerning the prospect of a ‘conciliation with the cooperatives’ he argued (Lenin, 1918c):

Comrades, the workers’ co-operatives are today faced with extremely important economic and political tasks. Both the one and the other are now part and parcel of the economic and political struggle. In respect of the immediate tasks I want to underline the meaning of ‘conciliation with the co-operatives’. This conciliation, mentioned so frequently of late in the papers, radically differs from the conciliation with the bourgeoisie, which is nothing short of treachery.

In this connection it is worth emphasising that Lenin drew a clear-cut distinction between workers’ co-operatives and producers’ co-operatives. In his definition, the former were large-size businesses and the latter were fairly small associations of farmers or petty agricultural producers. As he knew that the assumption for a ‘conciliation with workers’ co-operatives’ was an agreement with big capitalists, he ruled out this hypothesis altogether. In fact, by that time all the workers’ co-operatives had been merged into the Soviet State at the instigation of Lenin himself, so that none of them were still in existence (Lenin, 1918c). This may explain why Lenin did not mention workers’ co-operatives in a 1920 article proclaiming that ‘all types’ of cooperatives, ‘not only consumers’, but producers’, credit, and other cooperatives should, by appropriate stages and with due care, be amalgamated into a Central Union of Consumers’ Societies’ until the cooperative movement would ‘embrace the whole country’.

The view that Lenin’s 1923 article was actually concerned with trading businesses, rather than producer cooperatives, was first advanced by Cohen (1973, p. 143) but conflicts with the statement (from Lenin’s 1923 article) that ‘we have no way out but to admit that all our opinions on socialism have radically changed’. Moreover, the fact Lenin’s statements that the whole of society must become a single workers’ co-operative and that ‘the condition for the victory of socialism’ was ‘to establish this type of co-operative’ actually date back to 1918, necessitates reconsidering the innovative thrust of the 1923 article emphasised above. In other words, if one thinks that Lenin’s conclusion that all firms were to be organised as workers’ co-operatives conducting business independently of the central power structure pre-dates the year 1923, he had insufficient reasons for categorising this article as a turning-point in his thought.

In support of our claim that Lenin advocated the creation of cooperatives that would empower members to appropriate at least part of the residual we point out that the NEP was Lenin’s brainchild and cite a number of passages from Lenin’s 1923 article on cooperation in support:

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16The definition of producers’ cooperative societies which Lenin provided in his speech is ‘associations of small farmers or artisans for the purpose of producing and marketing products, whether agricultural (such as vegetables, dairy produce and the like) or non-agricultural (all sorts of manufactured goods, woodwork, ironware, leather goods, and so forth)’ (Lenin, 1918c).

17In that same speech, Lenin also argued that ‘the tremendous good accomplished by the co-operatives must be merged with the tremendous good accomplished by the Soviet government’ and that ‘the workers’ co-operatives and Soviet bodies should be merged’.
[b]y adopting the NEP we made a concession to the peasant as trader, to the prin-
cipal of private trade; it is for this reason (contrary to what some people think)
that the cooperative movement is of such immense importance. All we actually
need under the NEP is to organise the population of Russia in cooperative
societies of a sufficiently large scale, for we have now found the degree of
coordination of private interest, of private commercial interest, with state super-
vision and control of this interest, that degree of its subordination to the common
interests which was formerly the stumbling block for very many socialists.
(Lenin, 1923, p. 1797)

[w]e went too far when we reintroduced the NEP, but not because we attached
too much importance to the principal of free enterprise and trade – we went
too far because we lost sight of the cooperatives (Lenin, 1923, p. 1798).

Also, a passage where Lenin, speaking of cooperation, underscored that its social-
ist meaning was to be made clear to all (Lenin, 1923, p. 1798):

What else does an endorsement of free enterprise and trade entail but the
acknowledgment that industrialists and tradesmen should be empowered to
appropriate at least a portion of the earnings from their enterprises? And what
socialist function is cooperation expected to perform but entitling workers to
run their firms in place of capitalists?

Finally, in his 1917 article mentioned above, Lenin spelt out in bold letters that
‘the initiative of workers and other employees must be drawn on . . . a certain pro-
portion of the profits must be assigned to them (Lenin, 1917b).

9. Conclusion

The hypothesis of this article, the assumption that Marx and Lenin endorsed
the creation of a system of cooperative firms, is supported by a number of
quotes which, admittedly, do not always shed full light on the numerous impli-
cations of this claim. With respect to Lenin’s 1923 article, we have argued that
it marked a significant turning point in the evolution of his thought. The
experience of wartime communism taught him that soviets could not be recon-
ciled with central planning and this newly-gained insight induced him to defer
his one-time plan to replace monopoly capitalism with a centrally planned
economy and to stop its implementation. As the soviets, discussed in
Lenin’s 1923 article, carry on business in a market economy, they are a
fairly near proxy for the producer cooperatives studied by modern economic
theorists.

From our perspective, the late emergence of an economic theory of produ-
cer cooperatives is one of the reasons why Marxists have traditionally neglected
not only cooperation as such, but even a wealth of passages from Marx and
Engels which describe a system of producer cooperatives as a new mode of pro-
duction.

Lenin’s neglected ‘testament to posterity’ suggests that socialism can be
implemented by creating a system of self-managed firms that operate in
markets under the lead of the Communist Party. The fact that Lenin’s 1923 article uses insight from the post-revolution period adds to its importance in that it is evidence his idea of socialism was ‘shaped by the struggle for socialism and can be further developed by reference to this struggle’ (Lukács, 1924, p. 91). These ideas were rated as unacceptable and were put aside after the rise of Stalin to power. At that point, socialism came to be identified with the centrally planned economic system whose changing fortunes span the whole of the 20th century to the present day.

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