Transition to 21st century socialism in the European Union

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Transition to 21st Century Socialism in the European Union

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This paper attempts to outline the economic steps that would be necessary to convert a capitalist economy like the EU into a socialist one. We examine the issue in very concrete terms and propose specific policy measures. The measures we propose differ significantly from the tradition of 20th century European Social Democracy.

Keynes famously remarked that practical political men, whether they be cautious or bold, found themselves unconsciously repeating the ideas of long dead economists. Politicians who advance neo-liberalism are, whether they know it or not, repeating the ideas of the reactionary Austrian economists Mises and Hayek. Socialist politicians purvey, in simplified form, the ideas of long dead Germanic Social Democratic economists such as Kautsky, Bernstein and Bauer.

1 Background

Historically, the dominant perspective on socialism has been that developed in the German Social Democratic Party in the years before the first world war. The SPD was the strongest and most influential party in the Socialist International and its ideas influenced other parties, including both the British Labour Party[1] and the European Communist Parties. Lih[2][3] has shown the extent to which the Leninism to which the latter subscribed was in fact just a re-labeling of classical German Social Democracy. We are used to see Social Democracy and Communism as very different, but the original distinguishing feature of Communism – that it sought power by preparing armed insurrection, was long ago abandoned by most communist political parties. This original communist principle has been retained only by Maoist parties in Asia and South America, all other left wing parties are in this sense Social Democrats.

When we use the word Social Democratic therefore we are refering to a tradition which existed prior to 1914. In the 1950s the original German Social Democrats abandoned their commitment to public ownership of the means of production, after which the term Social Democrat changed its popular meaning, and came to indicate a tendancy somewhere to the right of socialism. Socialists in the Labour Party in Britain and the Socialist Party in France counterposed themselves to this later meaning Social Democracy from the 1960s. We would argue however that so long as the Labour Party retiained its 1918 programatic commitment:

1 We would argue that by the mid 1950s the British Labour Party was more classically Social Democratic than the then SPD.

2 We elaborate on this in our book [1, 2].

"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 exchange, and the best obtainable system of popular administration and control of each industry or service."

Once this programmatic commitment was dropped by Blair, the LP ceased to have any connection with Social Democracy in its original sense.

It was not until the 1940s that European (as opposed to Russian) Social Democracy got an opportunity to try changing the economic system. The UK, the newly formed GDR, Czechoslovakia, Poland and other countries embarked on an economic transformation that had certain common characteristics:

- Key industries were taken into state ownership.
- Education and healthcare became free state services.
- Publicly owned housing became the dominant form of new construction.
- Attempts were made, either by confiscation or by inheritance taxation, to diminish the great landed estates.
- The state attempted to follow a policy of full employment.

There were obviously differences. In Eastern Germany and Czechoslovakia agriculture was largely brought under state control whereas in the UK and Poland state farms played a much more minor role, with intervention in the UK being mainly through state marketing boards. We will concentrate for a while on the UK, both because the authors are particularly familiar with it, and also because UK economic policy had a big international impact.

The process of nationalisation of industry did not go so far in the UK as in Eastern Europe, but even there by the late 1970s the state owned among other things

- the system of energy production and supply: coal, oil, gas, nuclear power and hydro electricity;
- much of the transport system: roads, railways, buses, airlines, airports, ports;
- the communication system: radio, TV, post, telephones;
- the majority of the housing stock; and
- many heavy industries: steel, shipbuilding, aircraft construction, car production.

However the old property owning classes were not expropriated in the West and many sections of industry remained in private hands. A reliance was placed on inheritance taxes to eventually expropriate the property owning classes. Tax avoidance meansures by the wealthy meant that these taxes had less effect than hoped. The existence of such a large state sector, in combination with a strong trade union movement, had, by the mid-1970s, seriously threatened the continued viability of the remaining capitalist sections of the economy, resulting in a major crisis of profitability. There was a lively debate within British Social Democracy about what to do. Should the crisis be resolved by more vigorous state controls over prices and incomes whilst retaining the existing private sector? Should it be resolved by extending state ownership and using a new state investment bank to fund investment?

The Labour Party was effectively paralysed with indecision and was replaced in 1979 by a radical neo-liberal government headed by Mrs Thatcher. This reversed many of the social democratic changes made after 1945 with the explicit aim of returning to a classical liberal capitalist economy.

Within a decade, neo-liberal policy had become dominant not only in Britain but in all of the European countries in which classical Social Democratic economic policies had been most influential. Paradoxically, the Federal Republic of Germany, in which Social Democratic economics had made less inroads, was one of the last countries to move to neo-liberalism.

Now, in the 21st century and in face of the most serious crisis of capitalism since the 1930s, there is an historic opportunity to reassert the original ideals and objectives of the socialist and democratic workers movements But this cannot simply be a repetition of the past. In this proposal we try to develop an alternative that differs in the following ways from past European Socialism:

1. We do not place the nationalisation of industry at the center of our concerns; instead we emphasise a positive assertion of the rights of labour to the full value added.
2. We propose a radical restructuring of monetary policy to move the whole economy towards a non-money ‘equivalence economy’ based on working time.
3. We envisage transition as taking place not at the level of the nation state but within a democratised European Union.

Let us summarise key features of our conception of mature socialism:

1. The economy is based on the deliberate and conscious application of the labour theory of value as developed by Adam Smith and Karl Marx. It is a model in which consumer goods are priced in terms of the hours and minutes of labour it took to make them, and in which each worker is paid labour credits for each hour worked. The consistent application of this principle eliminates economic exploitation.
2. Industry is publicly owned, run according to a plan and not for profit. Retail enterprises for example, work on a break-even rather than profit making basis. We envisage the transition to publicly owned enterprises as being a gradual process that will occur after rather than before the abolition of the wages system.
3. Decisions are taken democratically, at local, national and Union levels. This applies in particular to decisions about the level of taxation and state expenditure. Such democratic decision making is vital to prevent the replacement of private exploitation with exploitation by the state.

In addition we take seriously Marx's aphorism that the liberation of the working classes must be the work of the working classes themselves. This is reflected in our advocacy of direct participative democracy rather than cabinet or party government and also affects our philosophy of how a transition to socialism has to take place. Instead of the old Social Democratic emphasis on the direct action of the state in nationalising and taking over private companies, we advocate the establishment of positive legal rights for labour. These rights will, when collectively exercised by workers, bring to an end the exploitation of labour by capital.

2 Money and exploitation

The European economy will still based on money at the point at which the socialist movement comes to power. In Capital, Marx showed how money was at the root of the evils of capitalism. The essence of capitalism is to start out with a sum of money at the beginning of the year and end up with a larger sum at the end. Marx denoted this by M->M' where M might be £"£" 1,000,000 for example and M'=£"£" 2,000,000.

Because capitalists have more money than working people, they can use this money to hire workers to work for wages. As Adam Smith pointed out, in any bargain over the price of their labour, workers are in a weaker position than employers. Their wages are much less than the value they create during the working week. Since the capitalists can sell the product for more value than they paid out in wages, the capitalists become richer and richer while workers stay as poor as ever. This process is the root cause of the difference between rich and poor.

On top of this there is a secondary form of exploitation that allows capitalists to increase their wealth: lending money at interest. This process allows the money-lender to get richer year by year by doing absolutely nothing. This process has become increasingly important as a form of exploitation within the developed capitalist countries. The extension of credit in the last 30 years means that the great bulk of the working class and lower middle classes and are in debt, exploited by the banks and credit card companies. The neo liberal policies of the last decades have widened the gap between rich and poor. A large part of societies income is now concentrated in very few hands. The rich tend to save a large part of their income. In consequence there would have been insufficient consumer demand to keep the economy going without the extension of consumer credit. The system needs employees to consume, but to run at a profit employees can only get a portion of the value created. The wealthy then lend workers back part of the value they created. But this process is self limiting, eventually the debt burden can grow no further.

In addition to supporting exploitation, the a monetary market economy is incompatible with the planned use of resources to meet social needs. In the EU — unlike, for example, the USSR — the supply of most goods and services is regulated by the market. This is not entirely a bad thing: it does, to a limited extent, allow supply to be adjusted to match people's wants. The drawback is that the provision of goods and services is systematically biased towards the wishes and desires of the rich. The EU currently lacks the mechanisms by which the structure of the economy as a whole can be regulated in a conscious social way to meet the challenge of climate change and to equitably meet the needs of all citizens.

3 How to effect the transformation

We will now shift the focus to specific policy measures. We will present these one by one and while explaining how each measure helps to achieve the broader objectives we have described.

3.1 Monetary reform

European monetary policy is dominated by the European Central Bank (ECB). This institution, operating outside of any democratic control, is charged with ensuring the monetary conditions for the continued reproduction of European capitalism. The removal of the bank from democratic control, and the imposition of strict anti-inflationary policies, represent one of the key victories of late 20th century liberalism. Of itself, inflation is not necessarily against the interests of the poor and working classes, provided that wages keep up with prices. The people who are hit hardest by inflation are the rentier class whose holdings of money and interest bearing assets depreciate. Since these people are opponents of socialism anyway, a socialist government might not worry about any financial loss these people suffer, were it not for the other social effects of inflation.

Uncertainty about future prices can lead to a social psychology of instability leading to a loss of confidence in the social order. For this if for no other reason, it is desirable that a socialist government in Europe follow a policy of price stability. Indeed, our proposals to replace money with labour vouchers are tantamount to a long term policy of declining prices.

Given an objective to establish a socialist economy based on the equivalent payment of labour, monetary reform is a step towards this goal. We suggest that the ECB be placed under a legal obligation to maintain *a stable value of the currency in terms of labour.* A prototype for this could be the successful monetary policy of the British Labour Government after 1996. At that time the government placed monetary policy under a committee of expert economists (the Monetary Policy Committee) rather than politicians, and gave them a clear legal obligation to achieve a particular target rate of inflation. One might have expected this policy to be severely deflationary, but it was not. In part because, unlike the European Central Bank, the committee are legally obliged to avoid both deflation and inflation[3].

Where our proposal differs from British policy is in the goal it sets — namely, fixing the value of the Euro in terms of labour rather than in terms of the cost of living index — and in advocating a democratic composition of the Value Policy Committee which should control the ECB.

The aim would be to fix the value of the Euro in terms of the average number of hours of embodied labour that an hour of labour will purchase. There exist well established techniques using national input output tables by which the equivalence of money to labour time can be calculated. Our colleague Stahmer explains these. If in 2009 an hour was worth roughly 30 Euros and the VPC wanted to stabilise this, they would have to adjust the issue of Euros up or down to ensure that the exchange of embodied labour against Euros remained constant.

Capitalist central banks try to control inflation by adjusting the interest rate. If inflation is too high, they raise interest rates. The effect is to choke off investment, reduce demand, and so reduce inflationary pressures. If interest is banned, how is the price level to be regulated ? or, in the light of what we said earlier how would the Value Policy Committee ensure that the value of the Euro in terms of labour was held steady?

An alternative control mechanism would be to adjust the overall volume of loans and/or the maximum term for which loans are made. The state bank could set volume targets and maximum durations for loans. For example, if the Value Policy Committee thought the value of the currency was in danger of falling it could limit the availability of loans or shorten the period for which loans could be had. If loan periods were reduced from 10 year to 5 years, then monthly repayments rise, just as happens with interest rate rises today.

Another means of regulating prices is tax policy. Paper money, like the Euro, is inherently worthless, just printed paper. It has value imputed to it, from the fact that the state (or a confederation of states) will accept its own currency for tax debts. The fact that people need money to pay their taxes, forces them to value it. If governments tax less than they spend, the money stock will rise leading to inflation. The second way to regulate prices during the transition to socialism is thus to fine tune tax levels.

3 We would not fully endorse these objectives. In particular the failure of the MCP's remit to include anything about the balance of trade, certainly contributed to a terrible build up of overseas debt.

The reasons for the goal are :

1. As labour productivity rises, a Euro fixed in terms of hours of labour will be able to buy more each year, cheapening the cost of living.
2. Once the value of the Euro has been stabilised in terms of labour value the labour value of Euro notes should be printed on them in hours and minutes. This step would be an act of revolutionary pedagogy. It would reveal clearly to employees just how the existing system cheats them. Suppose a worker puts in a working week of 45 hours and gets back Euros and sees that the hours printed on them amount to only 20 hours, then she will become aware that she is being cheated out of 25 hours each week. This will act to raise socialist consciousness, and create favourable public opinion for other socialist measures.
3. As a final stage the Euro would be renamed and redefined in terms of work time, and would cease to be a transferable physical currency. People would have electronic credits measured in, say, European Standard Hours, which would be redeemable against goods containing the same number of hours of work, but which could not be used for private speculative transactions.

Instead of just having a committee of economists charged with regulating the value of the Euro, the principle of participative democracy implies that the Value Policy Committee should be made up both of economists and members of the European public selected on a jury basis.

The Value Policy Committee would have to commission surveys of how much work was being done in different industries, and how much monetary value added there was in these industries, in order to guide its stabilisation policy. The definition of monetary value added would be the same as that currently used to compute Value Added Tax.

3.2 Reform of accounting and pressure for fair prices

All firms currently have to prepare money accounts, The state should make it a condition of their accounts being approved, that they also produce labour-time accounts and that they mark on all products their labour content.

Initially firms need not be legally obliged to sell their commodities at their true values. They could attempt to sell them for a price that is higher or lower than the true value. But since consumers can now see when they are being overcharged, they will tend to avoid companies that sell goods at above their true value. This will put psychological and consumer pressure on companies that are overcharging. This too will be an act of socialist mass pedagogy.

At an early stage in transition, before all goods have their labour values printed on their price tags, firms will have to impute labour values to the goods they purchase using the printed exchange rate between Euros and labour hours. They will add to the labour value of their inputs the number of hours of work that are performed by their employees to get a labour value for the final product.

At the level of National and Union accounts the EU should also move towards having a dual system of accounts, labour accounts alongside money accounts. Because, at the level of EU economic policy, there are many issues on which labour accounts would be more informative than money accounts. For instance in estimating the budget levels required to achieve full employment, this is much more readily done if one is comparing expenditure in labour with known labour reserves in the form of unemployment. In addition physical input output tables, and tables denominated in carbon dioxide outputs would be required. Money accounts hide the fact that what government economic policy really does is re-allocate society's labour. Money is the veil behind which real labour allocation occurs.

3.3 Enshrine the rights of labour in law

Scientific evidence shows that in the capitalist world the money value of goods is overwhelmingly determined by their labour contents. Studies find that for most economies the correlation between labour values and prices is 95% or above. So Adam Smith's scientific hypothesis that labour was the source of value has now been statistically verified. This scientific fact should be incorporated in law.

3.3.1 The right not to be exploited

European law should recognise that labour is the sole source of value and that in consequence workers, and their Unions, will have a claim in law against their employers if they are paid less than the full value of their labour. If we consider the previous measures and the educational effect that would follow from them, it should be relatively easy to pass a referendum on such a law.

Following such a law being passed, there would be a huge wave of worker activism as workers sought to end the cheating and deceit to which they and their ancestors had been subjected. It would also bring about a very large increase in real wages, cementing support for the socialist government.

The employing class, on the other hand would see sharp fall in their unearned incomes. Employers who were active factory managers would of course still be legally entitled to be paid for the hours that they put in managing the firm, just like any other employee.

Note that at this stage the establishment of the right to full value created would not mean the elimination of wage differentials. A legal right to the full value created would be a collective right of employees as a whole within a company. Such a system would certainly create strong moral pressures towards the equalisation of rates of pay, but the process by which this came about would be a matter for future collective bargaining and future civil rights legislation. Just as there is now legislation against gender discrimination in pay, a future European society is likely to legislate against other forms of pay inequality.

The tribunals to which such claims were brought would have to be dominated by juries rather than professional judges. Juries drawn from the population at large are likely to be less influenced by the special interests of the employing class than are judges whose social position is close to that of the employing class.

3.3.2 The right to industrial democracy

The emphasis above is on the state enabling the workers to act collectively to prevent exploitation. If unions won court actions giving employees the full value that they created, then there is a danger that some firms would attempt to close down and fire workers rather than continue in business. Thus legislation aimed at protecting the rights of labour would have to include the right, after a suitable ballot of employees, for employees to elect the majority of the board of any company.

The cumulative effect of the measures outlined so far would be to substantially abolish capitalist exploitation in the workplace at least in the short term. There will be long term difficulties if other measures are not taken, and we shall examine these later.

3.4 Eliminating other forms of exploitation

In addition to the exploitation of employees by employers, there are other forms of unearned incomes, the most important of which are interest and rent.

3.4.1 Usury

Interest, the getting of money from money itself, was regarded for thousands of years as sinful. Philosophers like Aristotle condemned it. Papal encyclicals banned it. Islamic law still forbids it in Muslim countries. But in capitalist countries, such was the social power of the banks and other money lenders that this moral objection came to be forgotten.

In capitalist countries which were undergoing very rapid industrialisation, for instance, Japan in the 1950s or 1960s, lending money at interest did serve a necessary economic purpose, since it allowed peoples savings to be channelled, via the banks, to fund industrialisation. But once a country has industrialised, firms finance most of their investment from internal profits. Indeed they normally have more profit than they know how to invest. Instead of borrowing from the banks, industrial firms run a financial surplus, and they themselves lend to the banks. The banks now channel the financial surplus of firms into loans to consumers, or to governments. Lending at interest looses the temporary progressive function that it had during industrialisation and reverts to being what morality and religion originally condemned : usury.

Socialism abolishes interest as a form of income. It has no class of rentiers people who do no work but just live off the interest on their money. So it is clear that at some point, that a government seriously intent upon socialism has to pass legislation banning the lending of money at interest. It could specify, for instance, that interest on debt could not be enforced in the civil courts. It could impose severe criminal penalties on those who used threats of harm to extort interest.

Before moving to a step such as this, a socialist government needs to put in place replacements for the economic functions still served by lending, and charging interest.

3.4.2 Rent

Rent is another type of exploitation. Socialists regard it as immoral since the owner of land enriches himself, not by his own labour, but by the labour of others combined with the niggardliness of nature. Rent is however an inevitable phenomenon in a commodity producing society. If there is some product, be it crude oil, or corn, the efficiency of whose production depends on the land being used, then rent incomes will arise.

In a socialist economy all rent income should accrue to the state and be used for the good of the community. Socialist states have usually nationalised land, but have not always charged a rent for using the land. In the case of mineral extraction this made no difference, since this was done by state enterprises and rent would just have been a fictitious transfer between sections of the state. Failure to charge agricultural rents to farms will, however, accentuate differences in income between fertile and less fertile agricultural regions.

It is a moot point whether land nationalisation would be popular today in Europe. An economic alternative, which over the long term would produce a similar effect, would be to introduce a land tax on the rentable value of land. This is an old populist objective, originally proposed by Henry George. The threshold for the tax could be set high enough to ensure that small farmers paid nothing or only a token amount, but for larger more fertile estates it could be set at a level that would confiscate the greater part of rent revenue. The effect on large landowners would be to deprivethem of their unearned income and making it available for communal uses If they refused it would be tax evasion but it is ideologically harder for the likes of the Duke of Atholl to mount a campaign to justify tax evasion than it is to mount one to justify resistance to expropriation.

3.5 Investment

It will still be necessary to fund new investments. During the crisis of 2008 it has been necessary for some European states to take control of large parts of the banking system. From this basis it is clear that investment could in principle be funded by interest free loans from publicly controlled banks. In a time of recession however, it becomes important to ensure the availability of credit, so that even capitalist governments have to impose controls on the banking system. But if this is not done with care, the resulting expansion of the money stock will lead to the type of suppressed inflation which occurred in the USSR.

Investment on credit is based on the illusion that you can push the cost of investment into the future. Whilst this can be true for an individual borrower, for society as a whole, today's investment has to be made using today's labour. As a society we can not get future generations to travel back in time in order to do work for us. Socialist economies should thus rely predominantly on tax revenue to fund investment.

3.6 Debt and the credit crisis

Mature capitalist economies have an inbuilt potential for slump because the property owning classes tend to have more income than they can readily spend. In the early stages of industrial development this is channeled through the banks to finance real investment. As reserves of labour get used up, increasingly capital intensive investment is faced with a law of diminishing returns and becomes less profitable. If investment is insufficient to balance saving, a slump is initiated.

The Keynesian solution to this was to tax the property owning classes and spend the proceeds on public projects to keep the economy buoyant. The neo-liberal approach since 1980 has been to cut tax on the propertied classes, whilst at the same time greatly easing the rules on consumer credit. Both solutions worked for a while.

The credit crisis of 2008 marked a turning point for the neo-liberal model. Credit had been extended so far that the ratio of debt to real income became unsustainable. The result was a general banking crisis. Instead of allowing banks to fail, the state bailed them out. Governments expressed relief that their action prevented a cascading collapse, but the cost was a growth in public debt unprecedented in peacetime. Was any other policy available?

There was an alternative policy. The failing banks could simply have been allowed to fail. The deposit guarantee schemes were generous. Only a small minority of bank customers held more than the guaranteed deposit. The majority would not have lost anything had the banks failed. Most customers have only modest amounts of cash, but a few very rich customers have tens of millions deposited. To them, the deposit guarantees were practically worthless.

The trillion-Euro public bailout was done to protect the claims of these few very rich depositors. Had all deposits above the the guarantee vanished, the class system would be threatened. For, Adam Smith said, what is money but the power to command the labour of others? Billions in a bank account play the role of a patent of nobility under feudalism. Modern Grand Dukes like like Lakshmi Mittal or the Albrechts' have their titles on a bank's hard drive rather than parchment, but they like their predecessors, still command the lives and labour of hundreds of thousands.

Had the banks all closed down, credit card and cheque purchases would become impossible. But instead of allowing them to fail, a Jubilee could have been declared. It would have declared all debts incurred prior to Day Zero legally invalid, excepting modest guaranteed deposits. Those toiling to meet mortgage and credit card debt would have been liberated. The taxpayer would have been freed from the crushing burden of the national debt, and surprisingly, the banks would have become super-solvent. Their liabilities would have shrunk relative to their cash reserves. Industry would have remained privately owned. But the abolition of debt, which has been a radical measure since antiquity, would have hit the aristocracy of money the way the French revolution hit the aristocracy of land.

The Russians did it after 1917, and shortly later, the German Social Democrats achieved a similar effect via hyper-inflation. Today, some governments have veered towards the German 1920's course: printing money to pay for the huge debts they have taken on. The inflation that results could hit small and large depositors alike. The alternative of abolishing debts serves to polarise political opinion against the peoples' main enemy—the rentier interest—whilst benefiting the majority.

3.7 State Finance

This brings us onto the general topic of state finance. Socialist economies typically have a higher level of state expenditure than capitalist ones at a comparable level of economic development. It is essential that the state has an efficient revenue raising mechanism, with taxes that are easy to collect and difficult to avoid. Social democratic states like Sweden relied mainly on income taxes along with an efficient civil service. The USSR relied upon turnover taxes on industry and on profits earned by state firms. Which of these models of tax revenue should be used is one of the major strategic issues that has to be faced by as an economy moves towards a socialism.

We argue that the Soviet model of taxation had several drawbacks, which, in the long run, contributed to the final collapse of the Soviet socialist economy.

a. The use of indirect taxation, such as turnover or value added taxes, and a fortiori reliance on profit income, puts the state in the position of being a collective capitalist vis a vis the workers.
b. The use of indirect taxation has also traditionally been opposed by socialists as this is a regressive rather than progressive form of taxation.

c. It resulted in a distorted price structure that systematically undervalued labour, to the detriment of economic efficiency.
d. Reliance on the profit of state industry is a hidden form of revenue, which is not easily amenable to democratic control.

We therefore strongly advocate a reliance on income and asset taxes rather than indirect taxes. The tax basis of the Union should be switched from VAT to progressive income and asset taxes. The European Parliament should be able to adjust the tax rates paid to the Union, subject to gaining a majority in a Union-wide referendum.

At the moment the parliament can not raise revenues on its own account, a fundamental requirement for a genuinely democratic assembly. But given the suspicion of the Union that exists, it would be unwise to allow parliament to introduce or change taxes without popular support.

1. Either the parliament or citizens initiatives should be able to propose new Union taxes such as income taxes, customs duties or property taxes provided that these pass a popular vote.
2. The broad headings of the budget should be subject to popular vote.
3. The EU central bank should be subject to the parliament.

4 EU Democratisation

The split in authority and economic power between the EU and the nation states has at least partially blocked the road to the old social democratic / Keynesian means of dealing with recessions. Constraints on budgetary policy, lack of control over the currency and capital flows prevent nation states from following classic Keynesian policies. At the same time the EU itself lacks the budget or the power to substitute for the nation states in this situation. A consequence is the absence of a political form in which the labour movement of Europe can express itself in classical social democratic politics.

In the absence of classical social democratic politics you do not get the clear constitution of a European employee class, since a class cannot be constituted outside of a political party in the broad sense of the word.

Consequently we argue that it is necessary for the labour movements of Europe to take on board their own democratic version of European internationalism, since neither the technocrats of the EU itself nor the propertied classes of Europe are capable of doing this.

The proposed democratisation is a return to the original principles of European democracy in ancient Greece[4] seeking to eliminate the Roman Republican elements which were instituted after the French revolution. At its heart must be the principle of popular sovereignty, and genuinely representative democracy.

1. Popular sovereignty being enshrined in the right of initiative and referendum on a whole Europe-wide basis on any issue for which a sufficient quorum of signatures, spread across enough countries can be obtained. This direct participation in binding votes as European citizens rather than citizens of the nations would constitute the Union as a real focus of politics. The right of initiative would encourage the formation of Union wide campaigns and movements. It could be exploited immediately by the trades union movement of Europe and would give them an impetus to unite in practice.
2. We are taking this consciously Jacobin position in favour of strong democratic center, becaus only that has the power to confront internationally organised big business and big finance.
3. We argue that the parliament be a citizens' body, not a body of highly paid elite politicians. At the very least we argue for the members to face elections annually and for the limitation of office to a maximum of 2 years to prevent the formation of a class of professional politicians divorced from the population. Half of the parliament should be chosen by lot rather than elected as present on a party list system. This again aims to increase citizen participation, across all classes and genders.
4. The EU commission should be selected from and by the parliament rather than being party placemen.
5. The parliament can legislate on any subject and if faced by a veto in the council of ministers can call a citizens vote to override the nation state representatives.

4 We of course know that women and slaves could not vote in Athens, but until the early 20th century women and workers could not vote in Europe under the parliamentary system. We are obviously not advocating a regression to slavery and patriarchy. What we are saying is that current EU states derived their constitutional model from the Roman Republic via the French Revolution, and as such conciously adopted a state form that was optimal to the rule of the propertied classes. It was for this reason that Ancient Greece faced the treaon of its propertied classes when invaded by Roman Imperialism. The Republic was seen then and now as the ideal form of rule by the wealthy.

5 The ordering of measures

The measures above undermine what are important functional components of capitalism and there would be adverse consequences if alternative mechanisms were not put into place.

Ending the production of profit by paying workers the full value they create would make employment unprofitable. There is a danger under these circumstances that capitalists would find it more profitable to leave their money in the bank and earn interest on it than use it to employ workers. It is important that the payment of interest be abolished prior to introducing the right to the full value of labour.

It would be necessary to introduce the right for employees to vote for their firm to be co-managed by a committee having a clear majority of employees on it, to stop asset stripping and closing of the now unprofitable firms.

After this phase of transition the economy would still be capitalist, but the ownership role of individual capitalists would be greatly reduced. The most serious economic disruption would have been to the financial sector where the profitability of stockbroking and investment banking firms would drastically decline. But this decline would be manageable, being no worse than the structural changes to many heavy industries that occurred during the last 20 years.

A second phase of transition involves the development of the capacity for detailed planning - setting up of the administrative system, establishment of the democratic control mechanisms and construction of the computer networks and software that would be required to carry out the sort of planning discussed in our book [1]. Initially these plans would be indicative, becoming mandatory as the system bedded down.

6 Conclusion

We have outlined a model for the conversion of EU type economies that differs from the tradition deriving from German Social Democracy. The three stages of transition are shown below as a table.

Stage	Money	Property/rights	Coordination	Tax
1	Euro notes	Capital right to	Market	Indirect and direct
(now)		value added		
2	Euro notes Tied	Labour right to	Market +	Direct +
	to labour	value added,	public banks	Property tax
	Debt cancelled	no interest		
3	Euro Labour	Labour right to	Consumer goods	Direct taxes +
	accounts	value added	market + cybernetic	democratic
	non circulating	no interest	coordination	budget

Stage 1 outlines the current situation. Stage 2 the situation whilst the conversion measures we describe in the paper are being applied. Stage 3 is the situation described Towards a New Socialism.

Unlike the classic social democratic process, there is no distinct stage of nationalisation of firms with the attendant issue of whether there is to be compensation or not. Instead, there is a basic change to the framework of company law so that labour rather than capital acquires the right to value added. There is then no need for the state either to confiscate or compensate shareholders. The situation would be analogous to the 13th amendment to the US constitution, which abolished slavery without compensating the slave owners. We are proposing that the Union similarly abolish wage slavery. Share holders could still own shares in firms, but they would have no right to obtain an income from them.

We are conscious of the fact that this New Historical Project of a postcapitalist civilization is a long and complex process that has to be resolved gradually, democratically and with the concurrence of all human beings who want to live in an ethical and democratic world society. But even the largest process begins with a tiny first step. We want this program to be that tiny first step and invite all of you to participate in its discussion and evolution in order to achieve a better life for all and the preservation of the planet.

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