

Socialization Proposals: The Aspect of Labor Participation



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1 Introduction

A unique opportunity for the introduction of socialization arose, when on November 9, 1918, Friedrich Ebert called out the Republic in Germany preceding Philipp Scheidemann by half a day. After the *First World War*, the situation was desperate and socialization a popular demand of large parts of the population. While the call for the long demanded socialization suddenly could be met, the socialists, coming to power unexpectedly, did not have a sufficiently clear program to be implemented in due course. The First Socialization Commission of the coal industry (*Erste Sozialisierungskommission*) was formed by the Council of People's Deputies (*Rat der Volksbeauftragten*) in December 1918. Under the leadership of Karl Kautsky, and the secretary Eduard Heimann, prominent economists such as Joseph Schumpeter, Emil Lederer, Rudolf Hilferding, *a. o.*, as well as representatives of the workers and entrepreneurs met regularly for an in-depth discussion of all aspects of socialization. In April 1919, the First Socialization Commission was dissolved. One of the major points of the discussion of the First Socialization Commission was participation of citizens in the socialist republic, for instance of workers, consumers, former owners, producers, tenants, or other groups of society. In this chapter, we will focus on labor participation, and outline major lines of dispute with respect to labor participation in the first part, followed by the main criticism levelled against socialism in the second part, and in the third part take a closer look at the ideas of socialization by Eduard

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Heimann, the secretary of the First Socialization Commission, and Karl Korsch, a leading theoretician of socialism. While Korsch's focus is more closely on workers' participation, Heimann's focus is on both, economic efficiency and the normative goal of democratization of the economy. In his argumentation, he made pioneering theoretical contributions with respect to the entrepreneurial wage and the theory of the firm. The paper ends with a summary and conclusions.

2 Lines of Dispute on the Issue of Labor Participation

Right after the First World War, a fierce discussion arose about the future socialist structure of the economy, and in particular of large corporations.¹ Labor participation was a central theme in the debates of the First Socialization Commission, which was discussed controversially among its members.² With respect to the participation of workers, two major contrary strands can be identified (Backhaus, 1979, 50). On the one hand, participation played a role in those approaches of socialization that were directed towards the democratization of agglomerated economic units, in particular cartels, where too much power was seen to be concentrated at the top. Some supporters of socialism argued that cartels posed a potential threat to the political sphere, and they wanted to introduce participatory elements in order to diffuse their economic and political power. The goal was the political neutralization of cartels. On the other hand, there were supporters of socialism who argued that the economic and technical concentration at the top of a cartel offered a unique opportunity in planning the economy. According to that view, the management of a cartel was a powerful tool of economic policy, which could be used in order to improve the efficiency in the socialist economy. Proposals of socialization following the second strand favored a centralized command structure with very few participatory elements. Historically, supporters of socialism cannot be associated clearly to one or the other of the two extreme strands, but typically take positions somewhere in between.

In early concepts of socialism, a council system (*Rätorepublik*) was proposed, in particular by those socialists, who stood in the tradition of the war economy. They wanted to reach economic efficiency by a centralized command structure. Political control should be exercised by a council system, which stood next to the parliamentary system. By a strictly hierarchical organization, the councils, e.g. works, soldiers,' or administrative councils, should reach economic efficiency, and also control the political and economic course of the country. Council systems have been proposed by Rathenau, Bauer, Heimann, and other authors (Backhaus, 1979, 51). While council systems were initially politically adopted, they turned out to be short-lived. The rise

¹Compare Novy (1978).

²Jürgen Backhaus has investigated early proposals of socialization with respect to workers' participation. Compare Chap. 2.2: "Die historische Genesis der Partizipationsforderung in Deutschland: Sozialisierung—Mitbestimmung—Wirtschaftsdemokratie." 1979, *Ökonomik der partizipativen Unternehmung*. Tübingen: J.C.B. Mohr (Siebeck), 50–71.

of *Parliamentarism* led to a relative decline of the councils until they finally became meaningless. As an exemplary illustration of the council system, the concept by Heimann will be discussed more closely in the third part of this chapter.

Even further in the direction of central planning go the proposals by Neurath³ and von Moellendorf. Neurath proposed to set up production and consumption plans, e.g. in his socialization plans for Saxonia and Bavaria. It was the task of a central planning office to devise alternative plans of production and consumption, so-called *Lebenslagen*. The final decision was not the task of the councils' organization, but it was upon the local parliament (*Landtag*) to choose a particular plan for a certain time period. Implementation and supervision of the plan would again be in the hands of the central planning agency. Neurath's proposals could not be realized in Saxony, but some progress towards this direction has been made in Bavaria. At the end of March 1919, a central planning office has been set up in Bavaria under the administrative leadership of Neurath. However, in the wake of the political upheaval, the operations of the central planning office ended abruptly. Only two months after its opening, the office was shut down, and Neurath was put in a fortress prison, where he had to spend 1 1/2 years, before he was deported to his native country of Austria.⁴

Eduard Heimann was one of the first authors to draft a socialization plan.⁵ He used his influence as secretary of the Socialization Commission to successfully propagate his ideas. In contrast to the earlier approach of a purely state planned economy, Heimann introduced elements of the market economy in his socialization proposals. At the same time, as is illustrated in part eight of Heimann's proposal, the "austere character of socialization",⁶ aspects of participation and democratization became less important (Backhaus 1979, 51). This is different in the concepts by Karl Kautsky, the president of the First Socialization Commission, and Karl Korsch,⁷ a theoretician of socialization, where participation of both, consumers and workers, play a more important role. Some major aspects of Korsch's ideas of labor participation will be discussed in the third part of this chapter.

In the debates of the Socialization Commission, the issue of labor participation was discussed controversially. A conflict emerged between the call for a democratic economic order, which represented the participative approach, and economic efficiency.⁸ Those members of the Socialization Commission, who wanted to pursue a democratic order of the economy advocated for far-reaching rights of participation,

³For further details, compare the chapter by Günther Chaloupek: "Otto Neurath's Concepts of Socialization and Economic Calculation and his Socialist Critics." This issue.

⁴Merz (2006).

⁵Heimann (1918/1919).

⁶Compare Eduard Heimann, *op. cit.*, part 8: "Der asketische Charakter der Sozialisierung", 583–590.

⁷Compare Karl Korsch 1919a. "Was ist Sozialisierung?" Hanover: Freies Deutschland. Reprinted in Erich Gerlach 1969. *Karl Korsch. Schriften zur Sozialisierung*. Frankfurt am Main: Europäische Verlagsanstalt, 15–49.

⁸It is still a widespread belief that there is a goal conflict between participation and economic efficiency. In his book *Ökonomik der partizipativen Unternehmung* Jürgen Backhaus (1979, *op. cit.*) provides evidence that the two goals can be reconciled, e.g. in the institution of the German system of Co-Determination.

while other members, who pursued primarily economic efficiency advocated for the principle of a strictly hierarchical organization with little participation. Further major issues were the income distribution and taxing. While political problems stood central in the early debates, the idea of economic efficiency figured more prominently as a theme in later debates of the Socialization Commission.

3 A Critical Evaluation of Socialism

The debates of the Socialization Commission brought forward many different aspects of socialism and provoked later criticism. Perhaps the strongest attack of socialism that was mainly directed against non-market forms of the economy came from Ludwig von Mises.⁹ In his definition of socialism, von Mises assumed complete state ownership of the means of production.¹⁰ According to von Mises, economic calculation is not possible under socialism. He was convinced that if there is no private property of the means of production, economic activity is not possible. Central to von Mises are considerations of economic efficiency.

Von Mises thesis was refuted by Lange and Lerner.¹¹ They showed that certain forms of a socialist economy are feasible. The socialism proposed by Lange and Lerner is based on market simulation, but the idea of participation has disappeared from their approach (Backhaus 1979, 52).

The discussion of socialism after WWII focused more specifically on identifying market failures and possible remedies; on issues of social justice, in particular a just distribution of income and wealth, and on how to politically secure the democratic system. The proposal was to integrate the economy into a decentralized political system (Backhaus, 1979, 52, 53).

After WWII, the contributions by Kautsky and Korsch were reevaluated in the light of new developments in economics. Both authors stressed the participation of consumers and their contributions related to this issue became more and more irrelevant over time. The reason is that organizing such a diffuse group as consumers is known to be very difficult.¹² However, with respect to his contributions to labor

⁹von Mises (1920). For further details, compare the oral presentation by Ludwig van den Hauwe, "Is Socialism Possible?" 31st Heilbronn Symposium of the State and Social Sciences, draft version, comments authorized.

¹⁰In the debates of the First Socialization Commission, various schemes of socialism were considered. With respect to private ownership of the means of production, they varied from complete expropriation to partial or even no expropriation of the owners. If private property of the means of production was retained, associations or cooperatives could be formed, where markets could still exist.

¹¹Lange (1936–1937), Lerner (1936). Ludwig van den Hauwe, *op. cit.*, provides the following clarification: "It was admitted that prices were indeed necessary (as in Mises' argument) but these need not be real market prices: they might equally well be accounting prices set by the state." (Permission to quote from draft version by author) According to this view, the Lange-Lerner argumentation is not seen as a refutation, but rather an enhancement of the argumentation by von Mises.

¹²Olson (1967).

participation, Korsch thought entered the discussion of the introduction of the system of Co-Determination in Germany after WWII.

While the contributions of the members of the First Socialization Commission have been criticized and further developed, as is the case in the debate on economic calculus, interesting theoretical insights can still be gained by looking at the original contributions. An example is the socialization proposal by Eduard Heimann, the secretary of the First Socialization Commission, which, at the time, provides new theoretical insights on the entrepreneurial wage and the theory of the firm. Another example are the ideas on labor participation by Karl Korsch, which had a lasting influence.

4 Eduard Heimann and Karl Korsch on Labor Participation

Eduard Heimann has written his treatment on socialization (*op. cit.*) right after WWI. He went against a popular and widespread belief at the time that socialism serves the sole purpose of income redistribution. Heimann saw socialism as a set of measures that was more directed towards achieving economic efficiency in the economy than towards income redistribution. He also pursued the normative goal of democratization of the economy. Heimann made his remarks on the role of innovation in socialism in the context of achieving economic efficiency. His reasoning is as follows:

The question whether the added value belongs to the workers instead of the owners of capital is crucial when thinking about the role of innovation. The added value cannot be fully attributed to the workers, so Heimann, because of the entrepreneurial activity and entrepreneurship, which have to be recognized as a productive task. This part of the added value is not a component that accrues to the workers. Other components, which also do not belong to the workers, are investments and taxes which also have to be deducted from the added value. In addition, the profit gained from innovation cannot be attributed to the workers, because they are not based on the workers' activities. This idea shows that Heimann is a forerunner of the theory of entrepreneurial wage, which has been discussed in the economic literature about a decade later (Backhaus, *op. cit.*, 54).

According to Heimann, in a competitive environment, workers should not act as co-entrepreneurs by participating in the decisions of the company. He held that the profit gained from innovation would be the result of the productive economic activity by entrepreneurs, and concluded that by way of a dynamic analysis, the profit gained from innovation should be added to the entrepreneurial wage. From this reasoning it follows that socialization has no consequence for the internal organization of the company and therefore, workers should neither participate in the decision-making process of the company, nor share in those profits made that are due to an innovative idea (Backhaus, *op. cit.*, 54).

Next to the competitive case, Heimann also investigated the case of a monopoly. In a monopoly, he argued, the monopolistic profit does not belong to the workers employed by the monopoly, but to consumers who have built it up. From this point of view, Heimann concludes that “the material benefit of socialization, when looking at it merely as a task of distribution among various stakeholders, at best would be disappointingly small.”¹³

Heimann was concerned with the power concentration at the top of a trust and saw a possible solution in the introduction of socialism, where the trust would be in the hands of the State. This would not only be a safeguard against the arbitrariness of companies towards workers and consumers, but also allow to consistently planning the activities in the entire economy. In careful planning, Heimann saw a possibility to reach economic progress (Heimann, *op. cit.*, 537). By introducing socialism, Heimann wanted to advance democratization of the economy, but, at the same time, he wanted to increase the efficiency of the economy. His underlying assumption was that these two goals can only be achieved in large companies with a strictly hierarchical organization (Backhaus, *op. cit.*, 54).

Heimann came from a background of *Christian Socialism*. He did not stand in the tradition of *Historical Materialism*. Therefore, the question of whether industries were mature for socialization,¹⁴ which played a major role in the beginning of the socialization debates, was less important to him.

Next to these basic considerations, Heimann also looked at a number of specific organizational proposals for the industries to be socialized. One of the socialization proposals discussed by Heimann stems from Walter Rathenau, who was an important figure, perhaps the most important one, in the organization of the war economy. Although Rathenau was not a socialist (Heimann, *op. cit.*, 540), he foresaw in his plan for the *new economy* an active role by the State in planning the economy and smoothing business cycles. He wanted to achieve this by the formation of syndicates. The syndicates should operate according to the principles of private law. For reasons of social justice, syndicalization should be accompanied by economic and judicial political measures, in particular by a far-reaching revision of the inheritance law (Backhaus, *op. cit.*, 55).

Next to the traditional call of socialists for a planned economy, there were calls to maintain the organizations of private stock companies and trusts. About three decades before WWI, the number of private stock companies had increased rapidly, and the question was how to take advantage of these organizations under socialism. In this context, the members of the First Socialization Commission discussed issues

¹³Compare Heimann, *op. cit.*, 536: “Der materielle Erfolg der Sozialisierung, wenn man sie im Sinne des Interessenstandpunktes als bloße Verteilungsaufgabe betrachtet, wäre bestenfalls enttäuschend gering”.

¹⁴Karl Marx coined the term *Sozialisierungsreife* in order to indicate a state of industry to be mature for socialization. According to Marx, the historic development of a capitalist system automatically brings about maturity of socialization, an idea with which Heimann does not agree. Heimann, *op. cit.*, 528.

of control depending on the division of ownership of the company and management, thereby preceding scholarly discussions by about fifteen years.¹⁵

Heimann saw a link between capitalism and socialism in the so-called *guild socialism*, which he originally traces back to Schäßle's *Quintessence of Socialism* published in 1874¹⁶ (Heimann, *op. cit.*, 540, footnote 17). In the debates of the First Socialization Commission, the idea to retain the organizational form of private stock companies was primarily launched by Otto Bauer.¹⁷ He wanted to organize the economy along the lines of economic sectors and then select those sectors for expropriation, which were mature for socialization. The companies of the sectors selected should be organized like trusts on the basis of the non-profit principle (*auf gemeinnütziger Grundlage*). For those companies which have not yet reached maturity of socialization, he wanted to establish enforced syndicates (*Zwangssyndikate*) under public control. As the highest organ of control he envisioned an administrative council similar to a parliament. The administrative council should guarantee the non-profit character of all economic entities and groups that belong to the enforced syndicate. The seats in the administrative council would evenly be divided among members of the general public (presumably members of the political parliament), consumers, workers and executives, as well as former owners, who should participate in the administrative council with one fourth of the votes. In addition to the trusts and enforced syndicates, Bauer proposed the formation of guilds, for instance in the area of housing. An example of a guild in housing is a complex of urban apartment houses and residential buildings, which would become the property of local communes and be administered by rental cooperatives (Heimann, *op. cit.*, 547).

These regulations show that Bauer took next to the notion of economic efficiency also syndicalist ideas into consideration. After WWI, it was a popular notion to reach economic efficiency by way of a trust which was considered superior to any other type of entrepreneurial organization. Bauer went beyond by including syndicalist ideas in the more narrow sense of guild socialism and within the tradition of councils. The economic lever for regulating the entire system was seen in the extension of credits to companies, trusts, or other economic entities. The control of the system of partly or fully socialized industries was in the hands of a socialized central bank (Heimann, *op. cit.*, 558).¹⁸

¹⁵Today, the division of ownership and control in the large stock corporation is typically attributed to A. Berle and G. Means, *The Modern Corporation and Private Property*, New York, 1933. Important forerunners of the Weimar period mostly receive credit for their work only through the detour of the reception of the American work (Compare footnote 81, Backhaus, *op. cit.*, 55).

¹⁶Heimann referred to the first edition by Albert Schäßle, which was published anonymously: Von einem Volkswirt. 1874. "Die Quintessenz des Sozialismus." *Deutsche Blätter* (June, 375–390. Gotha: Pertes <https://opacplus.bsb-muenchen.de/Vta2/bsb11189535/bsb:6780255?page=8> (08-31-2018).

¹⁷Compare Bauer (1919).

¹⁸According to Heimann (*op. cit.*, 558), Bauer based his financial considerations on the analysis by Hilferding. For further details, compare the chapter by Jan Greitens: "From "Finance Capital" to "Organized Capitalism:" Socialization in Rudolf Hilferding's writings under the influence of Ferdinand Tönnies." This issue.

Eduard Heimann's political influence stems from his role as the secretary of the Socialization Commission of the coal industry. The Council of People's Deputies has installed the Socialization Commission of the coal industry in December 1918. The proposals by the Commission to socialize the coal industry were very similar to those made by Heimann. They had in common that a set of measures was developed in order to efficiently organize the entire sector of the coal industry. The principle of organization of every single coal mining operation was strongly hierarchical with a leader on top. The ultimate decision-making authority was with the leader who acted as a public entrepreneur. This plan was in accordance with the vision of the First Socialization Commission to install a strictly governed hierarchical trust (Heimann, *op. cit.*, 549).

The socialization proposals discussed in the First Socialization Commission pay more attention to the gain in efficiency than to the normative demand for more democratization of the economy. Even new terms were coined in order to better be able to address the differences between a market-oriented model of competition and a model of socialist competition. Heimann wrote: "The competition we have in mind differs from the capitalist competition in one principal point: no one can get rich at the expense of his competitors."¹⁹ In the socialist economy, the "principle of proportionality" (Heimann, *op. cit.*, 550) replaces the profit principle. In terms of modern economic theory, the "principle of proportionality" not only relates to the efficiency of a single sector by requiring the sectoral internalization of costs, but also relates to efficiency of the economy as a whole.

The goal of income distribution was not Heimann's primary goal. In contrast to Bauer's concept, his socialization proposal remained neutral with respect to distribution. While Bauer wanted to abolish taxes and finance the expenses of the state household by the revenue from the socialized industries, Heimann was opposed to this idea. He wanted to separate the price policy of the socialized enterprises from the goal of distribution. Heimann was open towards the option of a policy of redistribution via taxes (Heimann, *op. cit.*, 539, footnote 13).

By way of socialization, Heimann wanted to realize gains of efficiency. His prediction was that if a leading manager was in charge, rationalization processes would set in leading towards higher efficiency. He therefore only foresees a limited role of workers' representatives, who form the so-called works' councils. Participation of workers should refer mainly with respect to working conditions, but not extend to decision-making capacity. Heimann did not want to curtail a leading manager's decision-making skills by "incompetent works' councils."²⁰ A leading manager is characterized by superior knowledge of the performance of the business or company, and should not be restricted in his decision-making capacity (Heimann, *op. cit.*, 580).

Of particular interest for the participation problem is the discussion of the "austere character of socialization" (Heimann, part 8, *op. cit.*, 583–590), where Heimann takes

¹⁹Compare Eduard Heimann, *op. cit.*, 550. The original quote reads: "Die Konkurrenz, an welche hier gedacht wird, unterscheidet sich von der kapitalistischen Konkurrenz in einem Hauptpunkt: Niemand kann sich auf Kosten seiner Konkurrenten bereichern".

²⁰Compare Eduard Heimann, *op. cit.*, 580. In the original, this reads: "von inkompetenten Räten".

a critical look at the socialization proposal by Karl Korsch.²¹ In his Hanover treatment of socialization, Korsch has identified two basic models of socialization which did not exclude each other. The first model foresaw the participation of citizens and consumers, e.g. in the form of the State, municipalities, and consumers' associations (Konsumvereine). The second model foresaw the participation of producers.

Heimann was critical of Korsch's idea, who wanted to transfer private property into common property of groups of society (Heimann, *op. cit.*, 585). According to Heimann, socialization means the transfer of private property into the property of society and not into the property of particular groups of society. The more essential a product, the higher is the correlation of the consumers of that product with all members of society. In this case, the difference between consumers and society is almost negligible. Producers, however, will always be a small group in society (Backhaus, *op. cit.*, 57). According to Heimann, the interests of consumers and producers can hardly be reconciled. There will always be a contradiction between the interests of consumers and producers.

Heimann and Korsch take different approaches to socialization. The contradiction in their way of thinking is obvious and traces back to their different backgrounds. While Heimann stands in the Christian-social tradition and argues from a hierarchical-socialist point of view, the Jena jurist Korsch stands in the tradition of dialectic Marxism and argues from an antagonistic-social point of view. Korsch explains the transformation of society in the tradition of Marxism, but develops his own approach.²² In his writings of 1919 and 1920,²³ Korsch focuses on workers' participation. This is in contrast to Heimann who did not primarily focus on labor participation, but rather on economic efficiency and the normative goal of democratization of the economy.

From an analysis of the maturity of socialization, Korsch drew the conclusion that only a partial socialization should be realized after WWI.²⁴ While he saw the cooperative as the ideal form of a socialized company, his advice was that the timing was not right for the introduction of cooperatives. Workers would be overwhelmed by the new requirements, as they have not learnt to function in a cooperative environment. A sudden change from a hierarchically structured company to a cooperative would most likely lead to lower standards of production and less satisfaction with work (Gerlach, *op. cit.*, 51). At the current point in time, Korsch was also against a radical and fast introduction of nationalization, which would lead to "bureaucracy, schematism, kill the motivation to take initiative and responsibility, overregulation due to

²¹ Korsch (1919a).

²² Korsch differed from Marx' interpretation substantially. Compare Buckmiller (2002).

²³ A selection of Korsch's writings of 1919/20 has been edited and introduced by Gerlach (1969, *op. cit.*).

²⁴ Compare Korsch (1919b).

many political bodies being in charge, political deadlock, and rigidity”²⁵ (Gerlach, *op. cit.*, 51).

Under the assumption that the time right after WWI was not mature for the introduction of socialization, Korsch proposed a stepwise introduction of socialization consisted of the following two points:

The production by a more or less large number of capitalist entrepreneurs, who act entirely arbitrary, should gradually be replaced by the systematic planning of production and distribution by society. (Gerlach, *op. cit.*, 53)²⁶

Starting today, and before complete control from above has been put into effect, the autocratic rule of the capitalist worker class should be abolished in every industrial branch, and, within certain limits, in every individual company. The masters of the companies, who so far have only been responsible to themselves and perhaps to their banks, should become the first servants of their companies. For managerial decisions, they would owe accountability to all workers and salaried staff employed by the company. (Gerlach, *op. cit.*, 53)²⁷

The first point shows what Röpke later had in mind when he accused leading theoreticians of socialization of ignorance and criticized them for a misunderstanding of the workings of market production.²⁸ The second point expresses Korsch’s demand for a far-reaching participation of labor. Korsch not only demands co-determination at the level of the single company, but also at a higher level of the industrial branch. On a smaller scale, co-determination at the level of the company has been introduced legally in Germany later on (Backhaus, *op. cit.*, 58).

In his article on the socialist and syndicalist program of socialization,²⁹ Korsch took up his second point and highlighted labor participation as a means to overcome alienation due to production technology. His argumentation stands in contrast to Bolshevik theoreticians of socialization, in particular Lenin who demanded a strictly hierarchical order. Korsch described the Bolshevik stance as follows: “For the success of those work processes, which follow the organization of large technical enterprises employing machinery, the *unresisting subordination* of the will of

²⁵Korsch expected the following drawbacks from a radical and fast nationalization: “Bürokratismus, Schmatismus, Ertötung der Initiative und der Verantwortungsfreudigkeit, Vielregiererei, Lähmung und Erstarrung.” Gerlach, *op. cit.*, 52.

²⁶In the original, the quote by Korsch reads as follows: “An die Stelle der Regelung der Gütererzeugung durch die freie Willkür einer mehr oder weniger großen Anzahl von kapitalistischen Unternehmern soll nach und nach eine planmäßige Verwaltung der Produktion und Verteilung durch die Gesellschaft treten.” Gerlach, *op. cit.*, 53.

²⁷In the original, the quote by Korsch reads as follows: “Außerdem aber soll in jedem Industriezweig, innerhalb gewisser Schranken sogar in jedem einzelnen Betriebe, gleich heute, schon vor der vollständigen Durchführung der Kontrolle von oben, die Alleinherrschaft der kapitalistischen Arbeiterklasse beseitigt werden. Die bisher nur sich selbst und vielleicht ihrem Geldgeber verantwortlichen Herren der Betriebe sollen die ersten Diener ihrer Betriebe werden, die für ihre Betriebsführung der Gesamtheit aller im Betriebe mittätigen Arbeiter und Angestellten Rechenschaft schulden.” Gerlach, *op. cit.*, 53.

²⁸Jürgen Backhaus is referring to Wilhelm Röpke’s newspaper article: “Die Intellektuellen und der Sozialismus.” *Frankfurter Zeitung*. September 1931. Reprint: *Frankfurter Allgemeine Zeitung*, Nr. 36/1976 (2-12-1976). Backhaus, *op. cit.*, 58.

²⁹Korsch (1919c).

hundreds and thousands under a single one is absolutely necessary.”³⁰ Korsch was also critical of the syndicalist program. Parts of it, he considered utopian, but other parts, he considered as useful:

But there has to be put an end to the enslaving of men by the machine and the entire mechanism of labor, which is essential to livelihood, and its organization. The men, who fulfil their functions within the mechanism of machinery should not be tools without an own will, but be able to maintain their nature as a human being. They serve the guide who is in control of the machine and all of its parts. Nevertheless, they should assert themselves by the vivid awareness that they, as a whole, are in control of the machine and its guide. This is industrial democracy (and) (...), at the same time, the realization of that part of the “syndicalist” demands of workers, which can be fulfilled at the current stage of economic and social development without falling back into economically into inferior modes of production.³¹

Karl Korsch combined aspects of labor participation and planning. In reflecting about labor participation, Korsch lined out early tenets of workers’ participation, which entered the discussion of the introduction of the system of Co-Determination in Germany after WWII, and, in this sense, he made a lasting contribution. Eduard Heimann focused on economic efficiency as a first goal of socialization and made new theoretical contributions at the time, in particular with respect to the wage of the entrepreneur and the theory of the firm. He was successful in propagating his ideas at the First Socialization Commission. He did not reach his normative goal, the democratization of the economy, mainly because he neglected the internal organization of the socialist firm. With respect to labor participation, he proposed a very limited participation of workers, in particular of issues concerning their immediate working environment.

5 Summary and Conclusions

After WWI, a unique opportunity arose to introduce socialism in Germany. The First Socialization Commission, installed right after WWI, was a think tank of socialist and liberal economists to plan the future of a socialist state. The Council of People’s Deputies (Rat der Volksbeauftragten) has installed the First Socialization Commis-

³⁰In the original, Korsch’s criticism of Bolshevik theoreticians reads as follows: “für den Erfolg von Arbeitsprozessen, die nach dem Typus d(ies)er maschinellen Großindustrie organisiert sind, die *widerspruchslose Unterordnung* des Willens von Hunderten und Tausenden unter einen einzigen unbedingt notwendig ist.” Gerlach, *op. cit.*, 57, emphasis in the original.

³¹In the original, the quote reads as follows: “Aber die Maschine und der ganze, lebensnotwendige Mechanismus der Arbeit und ihre Organisation soll aufhören, den Menschen zu versklaven. Die in dem maschinellen Mechanismus ihre Funktion erfüllenden Menschen sollen nicht willenlose Werkzeuge sein, sondern ihre Menschlichkeit behaupten können durch das lebendige Bewußtsein, daß sie, die einzelnen, dem Lenker der Maschine wie Maschinenteile dienen, in ihrer Gesamtheit der Maschine und ihres Lenkers Herren sind. Das ist industrielle Demokratie (und) (...) zugleich die Erfüllung desjenigen Teiles der “syndikalistischen” Arbeiterforderungen, der ohne Zurücksinken in ökonomisch rückständige Produktionsformen auf der gegenwärtigen Stufe der wirtschaftlichen und gesellschaftlichen Entwicklung erfüllt werden kann.” Gerlach, *op. cit.*, 58.

sion of the coal industry in December 1918. The proposals by the Commission were very similar to those made by Eduard Heimann, the secretary of the First Socialization Commission. They had in common that a set of measures was developed in order to efficiently organize the entire sector of the coal industry. By addressing the role of innovation in socialism, Heimann developed an early part of entrepreneurial theory. He sees a very limited role of labor participation. In his economic thought of ownership of a company and management, he made early contributions to the economic theory of the ownership of capital and management. With respect to the normative goal of democratization of the economy, Heimann did not make much progress as he neglected the internal organization of the socialist firm. In reflecting about labor participation, Korsch's ideas went further. He made a lasting contribution by lining out early tenets of workers' participation, which entered the discussion of the introduction of Co-Determination in Germany after WWII.

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