

**MARXISM AND “MARKET SOCIALISM”  
(On Stalin’s “Economic Problems” Part Two)**

**By the British and Irish Communist Organisation**

“Though it is said, Proverbs, 23.4, ‘Labour not to be rich’: the meaning is, that you make not Riches your chief end: Riches for our fleshly ends must not ultimately be intended or sought. But in subordination to higher things they may: That is, you may labour in that manner as tendeth most to success and lawful gain: You are bound to improve your Masters Talents; but then your end must be, that you may be the better provided to do God service, and may do the more good with what you have. If God show you a way in which you may lawfully get more than in another way, (without any wrong to your soul, or to any other) if you refuse this, and choose the less gainful way, you cross one of the ends of your Calling, and you refuse to be God’s Steward, and to accept his gifts, and use them for him when he requireth it: You may labour to be Rich for God, though not for the flesh and sin”.

(Rev. Richard Baxter – Theologian of the English bourgeois (“Puritan”) revolution. “A Christian Directory: Or, A Summ of Practical Theologie and Cases of Conscience.” 1673 p. 450)

**CONTENTS**

- Introduction
- Commodities
- The “Socialist Commodity”
- Marx & Engels on the commodity
- The Cause of Value in “Socialist” Production
- The Law of Value
- The “Market” and the Market
- The “Socialist” Market
- “Socialism”: A new way of Describing Capitalism
- Market Demand
- Prices of production
- The History of Market Socialism
- The “Stalin-Critics”
- Lenin
- Conclusion
- Appendix: Economic Theory in China

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**PREFACE**

On Stalin’s “Economic Problems”, Part 1, dealing with the general background of political economy against which “Economic Problems” made its appearance was published in March 1968. The appearance of Part Two has been delayed by the pressure of current events in Ireland. A third part, dealing with the economic history of the Soviet Union and Eastern Europe should be published in due course. The present pamphlet deals almost entirely with the theory of “market socialism” as stated in the writings of revisionist economists since 1956.

We remarked in Part One that the main theoretical writings of the “Marxists” Lange and Dobb have been published in specialist bourgeois economic periodicals, such as the Economic Journal, which are virtually unknown in the working class movement. At that time we were finding it difficult to get translations of theoretical material on economics published in the Soviet Union and E. Europe. We had to infer a great deal from the few hints that appeared in such “theoretical” revisionist periodicals as World Marxist Review (and for the most part our inferences were accurate). But, as we have since discovered, we were in this predicament only because we searched for this material in publications circulated by the revisionists in the working class movement.

In 1958 the main revisionist economic journal in Russia, Voprosy Ekonomiki (Problems of Economics), began to be published in its entirety in an English translation by the International Arts and Sciences Press New York. Since

about 1960 this English “Problems of Economics” has consisted of translations of the main articles from all of the main specialist economic publications in Russia.

“Problems of Economics” is published through an official collaboration between the US publishing company and the Russian authorities. Its function is to provide the monopoly capitalists with information about developments in the Russian economy. To make sure that it doesn’t fall into the wrong hands it costs about £2 per copy (approx. 30 pages). And of course this exceptionally informative publication is never advertised in the revisionist press. Though it escaped our notice for five years, we have now got our ear to this channel of communication between the revisionists and the monopoly capitalists, and as a consequence the present pamphlet is more comprehensive than it could have been on its intended publication in 1968.

(Articles in magazines here referred to by their Russian titles will usually be found in “Problems of Economics” about three months after the given date. Page numbers of Capital refer to the Progress Publishers edition.)

July 1969

IRISH COMMUNIST ORGANISATION

### **Preface to second edition**

A number of minor amendments have been made to the second edition, none of which affect the sense of the pamphlet. Additional material, dealing with some aspects of political economy in China, has been added. This material was first published in THE IRISH COMMUNIST in February and March 1970. Publication of the third part of this series of pamphlets, dealing with the history of economic development in the Soviet Union and Eastern Europe, has been delayed considerably by the demands of current political developments in Ireland. It is now unlikely to be published before the end of 1972.

September 1971

IRISH COMMUNIST ORGANISATION

### **INTRODUCTION**

The most comprehensive statement of the “market socialist” position which has so far been made by modern revisionist political economy has come from the Czech revisionist Ota Sik. We quote from Sik’s “Socialist Market Relations and Planning” (which is included in “Socialism, Capitalism and Economic Growth: Essays presented to M. Dobb.” Cambridge University Press, 1967) Stalin, writes Sik

“committed...serious theoretical errors, which flowed in large measure from the state of the economy at the time. He put forward the theory that commodity money relations are in the nature of a foreign element in a socialist economy which has to suffer them purely because their existence is forced upon it by the co-operative forms of socialist ownership (i.e. the collective farms ICO) which he regarded as inferior forms in which socialist principles were inadequately embodied.”

“He believed that in the socialist state sector there could be room only for accounting and recording of values in response to external relations (with cooperatives and other countries) and that genuine commodity-money relations could not exist between socialist state enterprises.... This theory of Stalin’s which was strictly adhered to during his lifetime and is still widely applied in practice, became a deeply-rooted dogma with grave consequences for socialist economic growth”. (p. 146)

Sik holds that the market is not a heritage of capitalism which it is one of the tasks of socialism to abolish. On the contrary, there is an “objective necessity for the existence of commodity money relations and the market in a socialist economy,” and there is an “impossibility of resolving economic conflicts when these relations are restricted or suppressed by the old method of administrative planning. The explanation of market relations is.... the inner contradictions of socialist labour at the given stage of the development of the productive forces and, therefore, the market... appear(s) as a necessary economic form of resolving these contradictions within the framework of socialist planning.” (p. 148)

The view of orthodox Marxism has been that the scale on which the market continued to exist in the Soviet Union was due to the fact that the socialist revolution captured an economy in which capitalism was only weakly developed, in which the industrial proletariat constituted a small minority of the population and in which the peasantry constituted a great majority: the persistence of commodity relations was a heritage not merely of capitalism but of the low level of capitalist development in Tsarist Russia as a whole.

According to Sik this view is false. The continuance of commodity relations was not a heritage of capitalism, or of the backwardness of the economy which the working class seized. It reflected an inherent need of the socialist economy as such. In fact the need of the socialist economy required not merely the continuance but the expansion of the market economy. Because he failed to realise this Stalin did grave damage to the economy.

Lest the matter be confused by the recent attacks by the Soviet revisionists on Sik we will show that his views are shared by the leading Russian economists – though in Russia they are stated more obliquely. Furthermore, Sik's views were made absolutely clear in 1964 and were not condemned until 1968 by the Russian revisionists. And the reason they were condemned was not because of their nature but because of Sik's blunt manner of stating them, because of the speed with which they were being implemented in the Czech economy, and because they formed part of a strong bourgeois nationalist movement which was challenging the Russian domination of Czechoslovakia.

As long ago as 1958 V. Venzher (whose views were exposed by Stalin in "Economic Problems", and who is now a respected revisionist), wrote:

"Socialist commodity production is commodity production of a special kind, its development being directly connected with strengthening and expanding commodity/money relations and with the gradual dying away of natural economy relations. Because of social diversity, labour under socialism preserves its dual character and the goods created by labour are exchanged according to the amount of abstract labour embodied in them. That is why all products have a commodity form."

"Socialist production is large-scale commodity production planned on the scale of the whole national economy". "Socialist exchange is realised on the basis of the law of value". (Commodity Production Under Socialism and The Collective Farms: Voprosy Ekonomiki, August 1958)

"Under socialism products and services are also produced as commodities and also sold for money." (B.G. Liberman. Are We Flirting With Capitalism? Profits and "Profits". Soviet Life, July 1965)

Examples could be multiplied endlessly. There is no disagreement between the Russian revisionists and Sik on this point. All agree that under socialism production in general takes the form of commodity production, and that market relationships cannot be considered as an inheritance of capitalism which it is the task of socialism to restrict and abolish. In fact, as we shall show later, they all agree that capitalism inherits commodity production instead of being, as orthodox Marxism holds, its highest expression: Socialism purifies the market, frees it from the shackles and distortions of capitalism, and raises it to its highest level of development.

If, in the present pamphlet, we deal mainly with Sik's views, that is because Sik is more concerned to explain his position as clearly as possible while his Russian colleagues have to express themselves in ponderous circumlocutions which are immediately comprehensible only to the initiated. In subsequent pamphlets the development of revisionist economic theory in Russia will be dealt with comprehensively.

## COMMODITIES

In Stalin's view:

"A commodity is a product which may be sold to any purchaser, and when its owner sells it, he loses ownership of it and the purchaser becomes the owner of the commodity, which he may resell, pledge or allow to rot." (Reply to Notkind)

It is clear that this description is not calculated to arouse respect for the commodity among the workers: in other words it is an accurate description. According to Engels commodities are:

“.....objects which, within a society composed of private producers, are produced and exchanged against each other by these private producers for their private account.” (Anti-Dühring p.221). They are “products made in a society of private producers more or less separate from each other, and therefore in the first place private products.” (ibid p. 336, Our emphasis)

Problem: If commodities are “in the first place private products.” and if the socialist revolution abolishes private ownership of the means of production, how do we arrive at “socialist commodity production”? How do we arrive at commodity production as the general form of socialist production, as distinct from commodity production as a remnant of capitalist society which continues for a while under socialism?

Observe the rigorous logic and the remarkable coherency of the following argument which is found in “Political Economy of Socialism” (Moscow 1967):

“Commodity production, irrespective of its socio-economic nature, is characterised, first by the economic isolation of producers and, second, by their specialisation on the production of definite use-values, and third, by the production of commodities for sale at their social value.” (p. 129)

“Private ownership is the cause of commodity production. Social division of labour is only an indispensable condition. In the absence of private ownership, the social division of labour does not give rise to commodity production.”

“As distinct from capitalism, in socialist society there is not private ownership....But commodity production remains also under socialism.” (p. 130)

Could anything be clearer? Private ownership of the means of production is the cause of commodity production. There is no private ownership under socialism but there is commodity production. The cause is absent but the effect remains:

“The necessity of commodity production is not incompatible with the fact that labour is directly social under socialism.” (ibid p.134). The production process is not broken up among numerous private producers as under capitalism. There is one owner of the means of production; there is one collective producer who produces according to a national production plan; the product never leaves the ownership of the producer; yet this kind of production “also becomes commodity production.” (p. 132)

The single collective owner of the product engages in fantasy exchange with himself and gives rise to commodity production – in much the same way, we assume, as the fantasy of sexual intercourse in masturbation produces children.

But if we leave this lunacy and return to the comparative sanity of Sik we find that under market socialism “There is production of specific products in separate relatively independent producing and deciding groups.” (p. 139)

That is to say, the production process is not centralised production carried on by the associated proletariat, but is broken up among groups of individuals who produce objects for the purpose of selling them to one another, i.e. who produce commodities. Production is private production, with the state functioning as general overseer and arbitrator and influencing production through credits, subsidies, rates of interest etc., in the customary bourgeois manner. Here “socialist commodity production” loses its mysterious character. The commodity products of “Market Socialism” bear the character which Engels attributed to all commodities: they are “in the first place private products.”

### **The “Socialist Commodity”**

The theory of “market socialism” requires as its basic component the notion of the “socialist commodity”. The “creative” or inspirational theorists of market socialism have, by giving free rein to the “deepest and darkest corner of the unconscious” in which, according to Trotsky, “the nature of man is hidden”, brought into being the new

mystery of the Trinity, the commodity which changes its nature with changes in the mode of production – but still remains a commodity.

In Marx's analysis the nature of the commodity remained constant even though it occurred in different modes of production. Orthodox Marxism de-mystified the commodity. Inspirational Marxism has re-mystified it. In place of the commodity we are now presented with the "socialist commodity", the "capitalist commodity" and by implication, the feudal commodity. Three in one and one in three. And if we are to be in dead earnest about this we must add the slave commodity and the communist commodity (since revisionism has opened up the prospect of extensive commodity production under communism). The commodity had five natures, and yet all five natures have a common commodity nature. Inspirational Marxism here utters such a mystery as was never inspired in the Chair of St. Peter!

The orthodox Marxist position is that while commodities are produced under a number of different modes of production, the nature of the commodity remains constant, though it can only find its full expression in capitalist production. Commodity production began as a subsidiary form of production in pre-capitalist economies; it became the general form of production in capitalist society, whose economic laws are the laws of commodity production at their fullest development; and it continues for a time as a subsidiary form of production in socialist economies. This does not mean that there are tribal, slave, feudal and capitalist commodities. There is only the growth, predominance and decline of commodity production. Though it is found in other modes of production it is always the "embryo" or "cell" (Marx) of capitalist society.

In our examination of the "socialist commodity" we will begin with one of its minor prophets. In "Comment", Oct. 14 1967, Mr. A. Rothstein, one of the leading British revisionists, declared (while attempting to refute the I.C.O. position) that while it is true that commodities produced in the bourgeois system are cells of capitalism, commodities produced in the "socialist" commodity system are not. "The products of the Soviet Socialist economy, produced and distributed in such (i.e. market socialist, I.C.O.) conditions, have only the name "commodities" in common with the commodities of capitalist society."

The common bond between the products of capitalism and of market socialism is here declared to be merely the name "commodity". If their social nature has nothing in common, why have they the same name, one may ask? What is the sense of having the same name for things with antagonistic natures? And why make such a fuss about re-naming the products of socialist production with the same name as the products of capitalist production, as the revisionists have been doing? According to Rothstein's view, the products of capitalist and socialist production had, with respect to their social nature, nothing in common until the products of socialist production were given the name "commodity" in the mid fifties (and the late forties in Yugoslavia).

Rothstein's views represent the lowest level of revisionist thinking. Since the theoretical disputes of the revisionists are highly reminiscent of the theological disputes of mediaeval scholasticism we will borrow some scholastic terms to name the different revisionist trends of thought. Those who hold that the "capitalist" and "socialist" commodities have nothing in common but a name we will call "Nominalist". Those who hold that their social natures have something in common we will call "Realists".

(Rothstein, in the article quoted, is guilty of a number of blatant dishonesties, including blatant misquotations of Marx. But we won't bother about them. The poor man has become irrelevant. The Rothsteins and Dutts have been supplanted by the Libermans, Siks, Novozhilovs etc. Within sight of the grave they sold their souls for a few egoistic baubles. They will be given impressive obituaries in the revisionist press, but the new generation of careerists has scant respect for them. They function merely as the empty figureheads of their movement. Politically they are already dead. For the remainder of this pamphlet we will concern ourselves with the living forces of revisionism and let the dead live in peace.)

The most eminent representative of the Nominalist school is E.G. Liberman. And Nominalism is still the official view of Russian revisionism. In that welter of self-contradictions – "The Political Economy of Socialism" (an official publication) we are told that socialist and capitalist commodities have only a superficial resemblance. The socialist commodity is free of the fetishism which Marx said was a characteristic of all commodities. And even "the use-value of the commodity in socialist society has a totally different meaning from that in capitalist society." (p. 138) So the use-value of a socialist pork chop or a socialist tractor has nothing in common with the use value of a

capitalist pork chop or tractor: they are not used for eating and ploughing it seems! The socialist revolution is more fundamental than Marx ever imagined!

We will take the views of G. Kosiachenko as an example of the views of the “Realist” school of revisionism. Kosiachenko protested against the Nominalist gibberish, which, he said:

“leads to the negation of any kind of historical continuity between our money and the money of preceding socio-economic structures. ‘Commodity-money relations under socialism’, Malysnev writes, ‘has nothing in common with commodity-money relations of the past, with the exception of their outward, material form’. The only thing we have inherited – he explains – is that paper money is made of paper and coins are made of metal, just a scales, weights and cash registers have come down to us from capitalistic trade. On the basis of this “methodology” the author actually reduces the role of money to a purely technical tool for taking account of labour, while such conceptions as universal equivalent, a form of indirectly accounting for the outlays of social labour, etc., are omitted from the characterisation of money. Meanwhile, in speaking of the adaptation of the commodity-money form to new economic conditions, it must be remembered that money remains a form of indirectly accounting for the outlays of social labour and differs, basically from the taking stock of labour directly in physical units, which will occur in the highest stage of communism. The fact that the commodity-money form is used by society for directly expressing social labour involves a unique contradiction that is connected with the imperfect nature of the commodity-money form as an economic tool for planning the national economy. This is expressed in a certain independence in the movement of money resources in relation to the movement of material resources, which gives rise to the possibility of.... partial disproportions.” (The plan & Cost Accounting. Finansy S.S.S.R. 1964: No. 12)

The Realists maintain that there is a historical continuity between commodities, money etc., in capitalist and in socialist society; that “socialist commodities” and “capitalist commodities” have something in common between their real social natures and not merely in their names.

### **Marx & Engels ON THE COMMODITY**

“Capitalist production is the highest form of commodity production.” (Stalin. Economic Problems: (Section Two)

The “socialist commodity” like the “capitalist commodity” was unknown to Marx who claimed that he had penetrated the innermost nature of the commodity. Marx knew only the commodity. As to how articles became commodities, he wrote:

“As a general rule, articles of utility become commodities, only because they are the products of the labour of private individuals who carry on their work independently of one another.” (Capital Vol. 1. p.72)

The essentially private nature of commodity production was always stressed. Engels writes in Anti-Dühring:

“What are commodities? Products made in a society of private producers more or less separate from each other, and therefore in the first place private products. These private products, however, become commodities only when they are made, not for use by their producers, but by others, for social use. They enter into social use through exchange.” (p. 336)

The exchange of commodities first took place between various tribal societies: not within a society but between different societies. Within the tribal society goods were produced and allocated directly, without the intervention of exchange. Only a small portion of the tribal product took the form of commodities through exchange with other tribal societies.

Until the development of capitalism, commodity production remained a subordinate form of production, i.e. in tribal, slave and feudal societies. But:

“No matter what basis on which products are produced, which are thrown into circulation as commodities – whether the basis of the primitive commodity of slave production, of small peasant and petty-bourgeois, or the capitalist basis, the character of products as commodities is not altered, and as commodities they must

pass through the process of exchange and its attendant changes of form.” (Capital. Vol. 3, p. 320 Our emphasis)

Commodity production became the general form of production only with the development of capitalism. At a certain level in its development commodity production became capitalist production.

“In Capital, Marx proved with absolute clarity ...that at a certain state of development the production of commodities becomes transformed into capitalist production ...” (Anti-Dühring p. 183) And Marx speaks of: “...commodity-production and its absolute form, capitalist production.”

But perhaps this only means that capitalism is the first mode of production in which commodity production is the general form of production? Perhaps it does not mean that capitalism is the highest and most general form of commodity production? Perhaps it does not mean that only capitalism can be based on commodity production? Perhaps Marx is not denying the possibility that socialism too can be based on commodity production, and that socialist production, being freed from the contradictions of capitalism, will in fact lead to an extension of commodity production?

We are often told nowadays that Marx never expressed an opinion on matters like this because they were matters on which a scientific judgement could only be formed when socialist production actually came into being. To make a definite statement on it before socialist production came into being would be to abandon scientific socialism for Utopian socialism. We will deal with this latter point later in the pamphlet. Here we will merely show that Marx made a very definite statement on the question of whether capitalism was the highest development, or was merely the first general development, of commodity production. We have seen that he described capitalism as the “absolute form” of commodity production. The meaning of this can only be that it is the highest form. The revisionists may quibble about the meaning of “absolute”. But we needn’t bother about this quibble since Marx made his meaning absolutely clear in other places. Commodity-production, he wrote:

“...reaches its maximum in the ultimate development of capitalist production” (Capital, Vol. 3, p. 320)

Vol. 3 of Capital was, of course, arranged and published by Engels. It is now being widely suggested by revisionists that Engels introduced a dogmatic element into Marxism. Though there is no substance in the suggestion we will, lest there be the slightest doubt as to what Marx’s view was, refer to Vol. 1 of Capital, which was got ready for publication by Marx himself:

“Definite historical conditions are necessary that a product may become a commodity. It must not be produced as the immediate means of subsistence of the producer himself. Had we gone further, and enquired under what circumstances all, or even the majority of products take the form of commodities we should have found that this can only happen with production of a specific kind, capitalist production.” (Vol. 1 p. 169 Our emphasis)

There is no doubt as to what Marx’s view was. Of course it will be said by the inspirational “Marxists” that “dogmatic parroting of Marx” proves nothing and is alien to the spirit of Marxism. The only reply that can be made to this is that if inspirational “Marxism” thinks that Marx’s statement was false it should say so, and should demonstrate in a concrete manner why it is false. Instead of this it can only deny that Marx made such a statement. By quoting Marx we throw this lie back in its teeth.

Secondly, the concrete investigation that led Marx to make this statement is thoroughly convincing. (it will be summarised later) We have no intention of throwing away the knowledge of the production process established by Marx through painstaking critical analysis in favour of the Babel of revealed truths of the various priests of inspirational “Marxism.”

The phrase “creative analysis” has become very popular in opportunist circles. Not merely critical but creative analysis is their slogan. What “creative analysis” means in this connection is that the opportunist brings his petty-bourgeois pre-conceptions and desires into the process of analysis and imposes them on the material he is supposed to be analysing.

Knowledge travels in opposite directions in “creative” and critical analysis. In “creative analysis” one can see pseudo-knowledge travelling from the imagination of the opportunist into the material he is dealing with. In the work of the great orthodox Marxists, from Marx to Mao, as in the work of any real scientist in a field of investigation, one can see knowledge being established in the brain of the investigator by the material he is analysing.

“Creative analysis” searches for objective props for petty-bourgeois desires and only takes note of parts of the objective situation which appear to support those desires. Critical analysis establishes actual knowledge of the objective situation by making the objective situation reflect itself subjectively.

Since objective developments are increasingly running counter to the desires of the bourgeoisie it is becoming less and less possible to make a comprehensive scientific analysis in any field of investigation from a bourgeois viewpoint. To slow down their rate of decline the bourgeoisie are making and disseminating false analysis of all subjects on an increasing scale. And the development of the working class movement, on the other hand, is being held back by its hesitancy to engage in comprehensive critical analysis – and it is one of the important functions of opportunism to encourage this hesitancy.

The “creative analysis” of the revisionists is an expression of their bourgeois class nature. And the theory of “market socialism” is a prime product of “creative analysis.” It is established, not through the subjective reflection of objective realities, but through the attempt to impose subjective desires on an objective situation whose laws of development run counter to those desires. (We refer here to those of its adherents who are subjectively sincere in a desire for socialism. For others, for the leadership of the movement as a whole, it is a conscious and calculated deception, serving the conscious purpose of restoring or defending class exploitation.)

Marx and Engels clearly did not support the theory of market socialism, of socialism based on commodity production. In fact they opposed it vigorously. In their day the theory was put forward by Proudhon whose views on the subject were refuted by Marx in “The Poverty of Philosophy” and by Dühring whose views were ruthlessly dissected and exposed as bourgeois in Engels’ “Anti-Dühring”. These and other forerunners of the modern revisionists are dealt with in the history of market socialism at the end of the pamphlet.

To summarise: Marx showed that the commodity is a product of private production which is not produced for use by the producer. If production were broken up into family units and each family, through a mixture of handicrafts and agriculture, produced all that it needed to sustain itself, and consumed all that is produced the products of such production would be private products but would not be commodities. Between production and use there would be no process of exchange: there would be no market.

Even if a landlord were introduced into this system of production who made the family give him a share of what they produced (under threat of being thrown off the land if they refused), and if the landlord and his dependents consumed what he procured in this way, there would still be no commodities. There would be class exploitation. But the exploiting class would plunder the exploited class quite directly without the intermediary of exchange.

So there can be private production and class exploitation outside the commodity system. It is only when private products are exchanged against one another before being used that they become commodities.

When the production units are privately owned, but no longer produce directly the means of consumption of the private owners; when the various private owners exchange their products with one another for money, and acquire the products which they consume from one another with this money, then the products are commodities. There is a process of exchange between their production and their use.

In any developed market system specialisation in production is such that self-sufficient production for use by a family unit is possible only by way of the rarest exception. Products of necessity take the form of commodities. The producer cannot live on what he produces. He must sell what he produces for money and get what he needs for his own use by spending this money on products that others have produced.

To a very limited extent, and for a short period, it is possible for most of the participants in a commodity system to own their own means of production. Such a system would be composed of small farmers and independent craftsmen.

But the fragmentation of the means of production here is so great that it permits very little development of the productive forces. The commodity system inevitably generates capitalist production. For that reason the system of small-scale independent commodity producers cannot be called a mode of production. It can only have a brief existence in the transition from feudalism to capitalism. (In Ireland, where the transition to capitalism was a long-drawn-out and laborious process the inherent tendency of small-scale commodity production to generate capitalism can be clearly discerned. It overcomes the most powerful petty-bourgeois enthusiasms. It gets the better even of De Valera and the Bishop of Cork, and the Sinn Fein ideals are only froth on its waves.)

The development of capitalism dispossesses the majority of the population of ownership of the means of production, which are seized by a minority of capitalists. All that the majority can produce is their labour-power. They sell their labour-power to the capitalist in return for wages. With their wages they buy back commodities produced by the labour power which they sold to the capitalists and use them for reproducing their labour power (keeping themselves alive and having a family) which they again sell to the capitalists.

Capitalist society is a society composed entirely of commodity producers. But the only commodity which the workers produce in their own right is their own labour-power – which can only be applied in industrial production after it has been sold to the owners of capital. And the products of capitalist industry can only be used after they have been sold from one capitalist to another or to the workers. (Commodities which take the form of means of production can only be sold to other capitalists. Commodities which take the form of means of individual consumption are sold to both capitalists and workers: mainly to the latter.)

Commodities, then, first come into being by way of occasional exchanges between various tribal societies. Later, commodity production develops within societies in which the main form of production occurs outside the market system. Finally, production as a whole begins to take the form of production for exchange, for sale on the market.

At first, only surplus production was exchanged, or natural circumstances led a tribal society to producing one or a few products to exchange with other societies to get products which they could not produce. Commodity production is subordinate to production for use. Finally, all production becomes production for the market.

(Marx pointed out the capitalist society comes into being back-to-front, so to speak. The typical phenomena of exchange precede those of production. "...merchants' capital appears as the historical form of capital long before capital established its own domination over production." "...historically interest-bearing capital existed as a completed traditional form, and as a completed sub-division of surplus value produced by capital, long before the capitalist mode of production and its attendant conceptions of capital and profit." (p. 321 & 369, Vol. 3). And even after the capitalist mode of production was established the rate of interest was more definitely established in the international market than the rate of profit.)

## **PRIVATE AND COLLECTIVE PRODUCTION**

Here we should make it clear what is meant by private production. The revisionists have been at pains to obscure what it means. (For the time being we will leave but the question of ownership, which in its current usage has been almost entirely robbed of meaning due to the revisionists. They have won an outstanding success here, the scope of which can be judged by the fact that phrases like "not ownership but control" can pass without challenge in the Communist movement, but more about that later.)

Marx said that commodities were "the products of the labour of private individuals or groups of individuals who carry on their work independently of one another." Production by co-operative societies is, therefore, private production. Production in a system of co-ops which traded their products with one another would be private production: production by "groups of individuals who carry on their work independently of one another."

"Private" does not mean individual or domestic (though of course these are included on it). Sik's "separate, relatively independent producing and deciding groups" are groups of private producers.

Commodities are produced privately for social consumption (i.e. not for consumption by the producer or his individual exploiter.) They are thrown on the market and can be bought by anyone with enough money (not taking

account of various legal restrictions that may be imposed on their purchase.) The needs of society are supplied by private producers who launch their products on the market.

Industrial production takes place in a complex of factories. If production in the various factories is determined by a national plan of production, and if the whole product of the complex of factories is directly allocated among the various demands on it, then the production process – though it is physically broken up into various factories – is not, from a social viewpoint, private. But if the various factories themselves decide what to produce, and if the total product of all the factories is allocated among the various demands on it (among the various factories and individual consumers) through the medium of the market, then from a social viewpoint the production process is fragmented into units of private production. The private character of production does not in the least depend on a title deed which formally vests the ownership of each factory in some individual.

### **LANGE ON PRIVATE COLLECTIVE PRODUCTION**

Revisionist distortion of this matter reaches its apex in Oskar Lange's "Political Economy" (Vol. I Polish edition 1959, English 1963), where we read:

“...modes of production can be classed into two types according to their production relations. In one type of production relations all members of society share in the ownership of the means of production. This is the case when the means of production are socially owned, i.e. in the primitive community and in the socialist mode of production. The situation would be similar in the case of simple commodity production should it ever dominate society, for each member of society, or each family, would be the individual owner of the means of production used in his work.”(p. 20)

Here the most widely dispersed form of private ownership of the means of production is equated with social ownership of the means of production. A market system composed of small farmers and tradesmen – the ideal of the Bishop of Cork, of Eamon De Valera and the petty-bourgeois in general – is said to be a system of social ownership. A society of petty-bourgeoisie is put in the same category as socialist and communist society.

Lange began his career as a “guild socialist.” After 1945 he started pretending to be a communist in order to be able to serve his class in the leadership of Polish society. After Stalin's death this employee of the U.S. state, (we are not speaking figuratively: he was employed by the U.S. state to analyse the Soviet economic system during the war, which he did as an imperialist: see Part I) began to propound his guild socialism as “creative marxism,” and quickly became the darling of revisionist economic theory. This spiritual colleague of the Bishop of Cork became chairman of the Planning Commission and Vice-Premier of “socialist” Poland. And, in what has been hailed in revisionist circles as the greatest work of Marxist economic theory produced this century, he laid his petty-bourgeois soul utterly bare by proclaiming that “simple commodity production” was of a kind with socialist production; that petty-bourgeois and proletarian society were two of a kind; that the most fragmented kind of private ownership of the means of production was a kind with social ownership; that the seed-bed of capitalism is socially of a kind with the negation of capitalism!

### **LAWS OF COMMODITY PRODUCTION**

Commodities are always private products confronting one another on the market, and the activity of commodity production and exchange gives rise to objective laws, wherever it occurs, which are always the same. The extent to which these laws manifest themselves depends only on the degree to which commodity production has developed.

“...every society based on commodity production has the peculiarity that in it the producers have lost control of their own social relationships ... commodity production, like all other forms of production, has its own laws which are inherent in it and inseparable from it ... These laws are manifested in the sole form of social relationship which continues to exist, in exchange, and enforce themselves on the individual producers as compulsory laws of competition. At first they are unknown to these producers, and have to be discovered by them gradually only through long experience. They assert themselves, therefore, apart from the producers and against the producers, as the natural laws of their form of production, working blindly. The product dominates the producers.” (Engels. Anti-Dühring p. 299. Our emphasis.)

If it now seems miraculous that commodity production is always subject to the same laws of existence, that is only because trotskyst – modern revisionist influence is so widespread that the acquisition of a “dialectical” outlook has come to mean taking leave of one’s senses. The mystical jabbering about “dialectics” that is now heard on all sides has about as much connection with dialectical materialism (‘the concrete analysis of concrete processes’ according to Lenin) as the Book of Revelation. Before the acquisition of such “dialectics” one could at least conceive of the same cause always having the same effect, and could engage in commonsense reasoning. But according to the new (“creative”, no doubt!) “dialectics,” there is an infinite range of possibilities as to what the effects of the same cause may be, and you are guided among these infinite possibilities only by your subjective fancies. According to these “dialectics”, commodity production in its development can give rise either to capitalism or to communism. Its laws of existence are, therefore, infinitely variable! Which means that commodity production has no laws of existence.

Sik writes:

“..... the founders of scientific socialism, Marx and Engels, were able in their day to acquaint themselves only with the private type of commodity production. They tied these relations to private production, and therefore supposed that with the extinction of the capitalist economy, commodity production would also disappear. Today we should clearly recognise that Marx and Engels were in their day unable to foretell the complexities of a socialist economy, and indeed they never set themselves the task ... Only a hopelessly dogmatic interpretation of Marxist-Leninist theory is capable of denying the existence of new realities just because they were never stated and explained by the classics of Marxism-Leninism ... The true proponents of this teaching are not those who deny the existence of socialist commodity relations because they contradict the letter of the classics, but those who in line with the realities of these relations undertake their theoretical elucidation and then help to extend and apply them in practice.” (p. 145)

If the market socialists were correct on this point the only honest approach would be to write off Marxist economic theory as so much impressionist dogmatism. If they are right then it is clear that Marx failed to analyse the nature of the commodity correctly. And since the analysis of the commodity is fundamental to his whole economic analysis, the whole analysis is false as a consequence. Perhaps a number of good points were made incidentally to the basic analysis, but the basis of the analysis is false.

In his preface to the first edition of Capital Marx wrote:

“The value-form, whose fully developed shape is the money form, is very elementary and simple. Nevertheless the human mind has for more than 2,000 years sought in vain to get to the bottom of it, whilst on the other hand, to the successful analysis of much more composite and complex forms, there has been at least an approximation.”

If the theory of market socialism is in accordance with reality, and if the commodity can be a product of either private or collective production, then what Marx said of his predecessors in the field of political economy is equally true of himself: while unravelling some of the complexities of the commodity system, he failed to analyse correctly the essential nature of the commodity itself which continues to escape the human mind.

If that be so it should be said clearly to be so, and the nature of Marx’s mistake should be demonstrated clearly in order that the working class movement should be freed from its influence. Furthermore it should be stated clearly that the attacks by Marx and Engels on the market socialist theories of Proudhon and Dühring were unjustified and dogmatic, and followed from their mistakes on economic theory. And it should be stated that Marxism is not scientific socialism but a mere dogmatic ideology which, while it may coincide with some aspects of reality incidentally, is false at its basis.

The fact that the market socialists are not prepared to do these things (not openly at any rate) only confirms our view that it is not that Marxism fails to be scientific and falls into false ideology, but that the only use which revisionism has for Marxism is, after castrating it, to make use of it as a mere propagandist ideology through which working class support for the bourgeois system may be won at the present stage in the class struggle.

If there is such a thing as a “socialist commodity”, then the most urgent theoretical task in the working class movement is that it should free itself from the dogmatic influence of Capital and Anti-Dühring. The task is not to

develop Marxist economic theory but to negate it. To “develop Marxism” by incorporating in it the notion of the socialist commodity would be to negate Marx’s analysis of the commodity. If such negation is necessary, the only effective way to do it from the working class viewpoint is to do it openly and honestly and not under a camouflage of phrases about “creatively enriching Marxism.” The fact that the revisionist intelligentsia – who are forever howling about the personality cult – are not prepared to openly challenge Marx’s analysis because of the popularity of his name with the working class shows that in this respect as in all others it is they who are the perpetrators of the personality cult. Though in fundamental disagreement with Marx, they are cringing before his personality.

## **SOCIALISED AND SOCIALIST PRODUCTION**

At this point it is appropriate to comment on an aspect of the distinction between private and collective production that is of fundamental importance, and which has been greatly obscured by revisionism. The commodity system, a system of private production for exchange, socialises the production process. In the market, though the production process is broken up into private units of production, these units are no longer independent of one another. As Lenin put it:

“Is not commodity production already a tie established between the producers, a tie established by the market. The antagonistic, extremely fluctuating and contradictory character of this tie gives one no right to deny its existence.”

“...exchange also expresses a special form of social economy ...it, consequently, not only disunites (it does that only in respect to the medieval associations which capitalism destroys) but also unites men, compelling them to enter into intercourse with each other through the medium of the market.” “Crises are inevitable because the collective character of production comes into conflict with the individual character of appropriation.” (A Characterisation of Economic Romanticism. 1897 Coll. Wks Vol. 2, p. 209, 219, 170)

With development of capitalism and the division of labour, “the social tie between the producers becomes increasingly stronger, the producers become welded into single whole. The isolated small producers each performed several operations at the time, and were therefore relatively independent of each other: when, for instance, the handicraftsman himself sowed flax, and himself spun and wove, he was almost independent of others.”

But with the development of capitalism, “The whole of production ...becomes fused into a single social process of production; yet each enterprise is conducted by a separate capitalist ...Is it not clear that the form of production comes into irreconcilable contradiction with the form of appropriation? Is it not evident that the latter is bound to adapt itself to the former and is also bound to become social, that is socialist?” (What The Friends Of The People Are, 1894” Coll. Wks, Vol. I, p. 176/7)

Capitalism socialises the production process. It makes all the production units in the society inter-connected and inter-dependent. They are all dependent on the market which is to say, on each other. It is not the essential function of socialism to “socialise” the production process (though it had to do this in the peasant economies in Russia and China). Capitalism socialises the production process and thereby creates the preconditions for the socialist mode of production. When revisionists represent the task of socialism as the socialising of production they are simply using the fact that, due to the development of imperialism, the working class first came to power in predominantly peasant societies, whose economies had not been socialised by an internal development of the commodity system, to confuse the functions of capitalism and socialism.

It might appear that there is a contradiction between the statement that capitalism socialises the production process and the statement that a commodity is a product of private production for exchange. But the contradiction is not in the analysis but in the economy. The socialised production process is controlled and limited by the capitalist organisers of production whose objective is the realisation of profit in the market. The private character of appropriation exercises a considerable influence on the production process, holding back its expansion and bringing about periodical crises.

To put it another way, the difference between capitalist and socialist production in this respect is that capitalist production is indirectly social while socialist production is directly social. Though the whole production process is interconnected under capitalism, and though each enterprise produces goods for use by the society and not for its

own use, production only meets social needs indirectly through the market – therefore in a contradictory manner. Under socialism the production process meets social needs directly, without the intervention of the market. Under capitalism labour is indirectly social and takes on the character of value. Under socialism it is directly social.

“Direct social production and direct distribution exclude all exchange of commodities, therefore also the transformation of the products into commodities (at any rate within the community) and consequently also their transformation into values.

“From the moment when society enters into possession of the means of production and uses them in direct association for production, the labour of each individual, however varied its specifically useful character may be, is immediately and directly social labour. The quantity of social labour contained in a product has then no need to be established in a roundabout way; daily experience shows in a direct way how much of it is required on the average. Society can calculate simply how many hours of labour are contained in a steam-engine, a bushel of wheat of the last harvest, or a hundred yards of cloth of a certain quality. It could therefore never occur to it still to express the quantity of labour put into the products, which it will then know directly and in its absolute amount, in a third product, and moreover in a measure which is only relative, fluctuating, inadequate, though formerly unavoidable for lack of a better and not in its natural, adequate and absolute measure, time.” “It will not express the simple fact that the hundred sq. yards of cloth have required for their production, let us say, a thousand hours of labour in the oblique and meaningless way, that they have the value of a thousand hours of labour. “(Anti-Dühring, p. 339/40)

Private production for exchange, and indirectly social production, are, then, two ways of describing the same process – a socialised production process which is limited and periodically disrupted by a method of appropriation which contradicts it.

Socialist production is directly social. It excludes the medium of the market.

The commodity is the form taken by the product of indirectly social labour. The notion of a commodity which is a product of directly social labour is therefore nonsensical. Nevertheless, because of the confusion which has been engendered about these things, the revisionists, as we will see, have been able to circulate the idea that under socialism the products of directly social labour take the form of commodities. That is exactly the same thing as saying that under socialism direct social labour takes the form of indirect social labour.

In the commodity system, then, production is private in the sense that it is carried on in enterprises that work independently of one another and in competition with one another. It is socialised in the sense that, due to the division of labour, all the enterprises in the national economy (and increasingly in the international market) are dependent on one another for raw materials, instruments of production and outlets. In none of them could the production process be even physically carried on in isolation from the others.

Production is neither private production for direct private use (as in feudal economy) nor socialised production for direct social use (as in a socialist economy). It is private production in a socialised economy which supplies social needs indirectly, through the market, to the limited extent that the rate of profit is an indicator of social needs.

### **The cause of VALUE in “SOCIALIST” production**

Orthodox Marxism holds that products become commodities because they are privately produced for exchange. We can see that products take the form of commodities in “market socialism” precisely for that reason. But since the official ideology of revisionism holds that private production does not exist under market socialism, an alternative explanation as to why products take the form of commodities must be given.

### **STALIN’S EXPLANATION**

Stalin did not explain commodity production in the Soviet Union as an outcome of social production. He explained that it was due to a remnant of private production.

“Today there are two basic forms of socialist production in our country: state, or publicly owned production, and collective-farm production, which cannot be said to be publicly owned. In state enterprises, the means of production and the product of production are national property. In the collective farms, although the means of production (land, machines) do belong to the state, the product of production is the property of the different collective farms, since the labour, as well as the seed, is their own, while the land ... is used by them virtually as their own property, in spite of the fact that they cannot sell, buy, lease or mortgage it.

“The effect is that the state disposes only of the product of the state enterprises, while the product of the collective farms being their property, is disposed of only by them. But the collective farms are unwilling to alienate their product except in the form of commodities, in exchange for which they desire to receive the commodities they need. At present the collective farms will not recognise any other relation with the town except the commodity relation – except through purchase and sale.

“Of course, when instead of two basic production sectors, the state sector and the collective farm sector, there will be only one all-embracing production sector, with the right to dispose of all consumer goods produced in the country, commodity circulation, with its “money economy” will disappear, as being an unnecessary element in the national economy.” (Section Two)

And again:

“Take, for instance, the distinction between agriculture and industry. In our country it consists not only in the fact that conditions of labour in agriculture differ from those in industry, but mainly and chiefly, in the fact that whereas we have public ownership of the means of production and of the product of industry, in agriculture we have not public, but group, collective-farm ownership. It has already been said that this fact leads to the preservation of commodity circulation, and that only when this distinction between industry and agriculture disappears, can commodity production with all its attendant consequences also disappear.” (Section Four)

Here we have a Marxist explanation of commodity production as an outcome of group ownership, and a perspective for its elimination. The first major social division of labour, and the basis for all further division of labour, was that between agriculture and industry. Exchange between agriculture and industry was at the basis of the home market through which capitalism developed. And, conversely, it remained the last major division in the production process to be overcome by socialist production. Therefore: “The disappearance of this essential distinction between agriculture and industry must be a matter of paramount importance for us.” (Section Four)

When the revisionists came to power they hastened to consolidate the basis for the extension of commodity production by consolidating the group ownership of the collectives. Venzher’s proposal that ownership of agricultural machinery should be vested in the collective instead of the state was immediately implemented. When the Machine and Tractor stations were abolished in order to strengthen the objective basis of the market, every brand of opportunism, including the most “revolutionary” Trotskyists, hailed it as a triumph for “liberty.” It was certainly a major step in “liberating” socialist society for the market.

### **THE REVISIONIST EXPLANATION**

Because the main function of revisionist ideology is deception of the workers, and because revisionism aims at the extension of private production, the revisionists cannot, like Stalin, trace commodity production in socialist society to its objective base in private ownership. They have been squabbling among themselves as to what they should now say its basis is. The heroic Sik writes:

“Just because I at one time grasped this formal thread in Stalin’s concept, I have first of all essayed ... to refute his basic theory of production relations and ownership...”

“... this theory drastically simplified the part played by interests within a socialist economy. It elevated the unity of interests among enterprises and society to the status of an absolute principle and completely overlooked the objectively based, specific material interests of enterprise groups and the inevitable

emergence of non-antagonistic conflicts between the centre and enterprises. The concept was, in short, that the socialist enterprises would always tend to make decisions fully in accord with the interests of society and that it would suffice to give individual members of an enterprise material incentives to fulfil a plan handed down from the top.”

“In reality, however, not only do the material interests of individuals and society conflict, but the material interests of all members of an enterprise group always tend to merge into a general interest of the entire enterprise ...” (p. 151)

The various “socialist” enterprises, therefore have conflicting interests, each wanting “the largest possible wage fund,” as Sik so delicately puts it. Commodity relations are necessary between these enterprises because of:

“the impossibility of resolving economic conflicts when these relations are restricted or, suppressed in the old method of administrative planning. The explanation of market relations is ...the inner contradictions of socialist labour at the given stage of the development of the productive forces, therefore, the market appear (s) as a necessary economic form of resolving these contradictions within the framework of socialist planning” (p. 22)

The reader will find an account of Sik’s view of the “inner contradictions of socialist labour” in Part I. Basically, it is that the attitude to labour in socialist society is not substantially different from what it is in capitalist society. “The majority are motivated by the desire to make sure of the highest possible level of material consumption ...” (p. 142) Everyone wants to work as little as possible and to get as much as possible. Any other attitude “can only be a short-lived exceptional occurrence.”

The picture then is that in socialist society everyone is motivated by a desire to get as much as he can for himself. In large-scale production a certain degree of common interest forces itself upon the workers in each enterprise since it is only through the enterprise realising maximum profit in the market that the workers in it can do best for themselves. (Of course another struggle, for the division of the shekels got in the market, takes place within the enterprise.)

The conflict of interests between these enterprises can be resolved effectively in no other way than by the establishment of market relationships between them.

It is, of course, perfectly true that nothing but the market – the inhuman mechanism which “is fundamentally alien to any type of fraternal relationship” (Max Weber) – could function in such a society. And in such a petty-bourgeois, syndicalist hell anyone with a spark of the working class outlook could only say “Thank God it must give rise to capitalism!”

Sik, in common with the rest of his breed, declares that the conflict between these “socialist” enterprises is “non-antagonistic.” The word must have a nice comfortable ring in petty-bourgeois ears. But what does it mean? If there is to be a real market, the conflict between the enterprises must be real to the extent of driving the weakest into liquidation. Sik agrees that the market must be real in this way. So what is meant by “non-antagonistic” conflict?

Sik informs us that Stalin paid no attention to the question of how far “economic change has penetrated into people’s consciousness and what is its real impact on their thinking, feelings and actions.” It is alleged that Stalin simply declared that everything had changed, that the population was thoroughly imbued with socialist consciousness, and that the economy was free from the conflict of interest; and that he based his economic policy on his own notion of what a socialist society ought to be and paid no heed to what socialist society actually was.

As a criticism of Stalin this is groundless. Stalin, as usual, is used as a scapegoat on whom Sik and his breed foist their own sins. Up to the death of Stalin the present revisionists were declaring that Stalin was more or less the creator of the world, and that due to the omnipotence of his will classes had disappeared in the Soviet Union along with every variety of economic conflict, and that socialist consciousness had suffused every corner of the Soviet society. But it was they, Sik, Dobb, Khrushchev, Cornforth, and most of the other contemptible sycophants, who said it.

Stalin's view was that antagonistic class relationships had been eliminated from the production process; that a substantial section of the working class had become infused with a socialist consciousness; that agriculture had been organised in a manner which made its further development into socialism in a harmonious manner possible; and that working class political power had become strong enough to prevent conflicts from developing into antagonisms, provided its policies were correct. For example, we read in Economic Problems:

“Comrade Yaroshenko is mistaken when he asserts that there is no contradiction between the relations of production and the productive forces of society under socialism ...There certainly are, and will be, contradictions, seeing that the development of the relations of production lags, and will lag, behind the development of the productive forces. Given a correct policy on the part of the directing bodies, these contradictions cannot grow into antagonisms ...It would be a different matter if we were to conduct a wrong policy ...In that case conflict would be inevitable ...”

“The task of the directing bodies is therefore promptly to discern incipient contradictions, and to take timely measures to resolve them.” (Our emphasis. On the Errors of Yaroshenko (I) )

Stalin was focussing attention on the contradictions in socialist society when Sik and his breed were making every effort to conceal them and to present socialist society as a delightful society without contradictions. Today they accuse Stalin of representing socialist society as being free of contradictions and they themselves focus attention on its (past) conflicts. But it should not be thought that there is no reason in this apparent unreason.

When Stalin drew attention to the major economic contradictions in Soviet society he did so with a view to eliminating them. “Economic Problems” was a prelude to an assault on the main stronghold of the market. When the opportunists glossed over these contradictions, and blatantly declared the Soviet economy to be free of contradictions when it clearly was not, their purpose was evidently to preserve these contradictions. And when they gained political power their purpose in drawing attention to these contradictions was to use the existence of the contradictions as reason for enlarging them.

Stalin was a communist and a historical materialist. Sik, etc., are bourgeois and are “sociologists.” The communist would say: “Commodity production still exists; we must work out a strategy for eliminating it.” The “sociologist” says: “Commodity production still exists, so it would be ‘idealist’ not to base our politics on the fact.” He will seek out every contradiction, aggravate it, and use every device of propaganda to develop an attitude of complete helplessness towards it, so that in time the very concept of taking action to eliminate the contradiction is destroyed as an active form of thought – though it may remain as a forlorn ideal. “Commodity production exists. It will not disappear of its own accord; therefore it must remain. Since it remains it must be made as efficient as possible.” Thus runs the “objective” reasoning of bourgeois sociology. Under its influence a total paralysis of the will develops in the communist parties, which become great, inert hulks. And anything but total paralysis of the will is seen as the terrible disease of “voluntarism.” Then the active revisionist minorities cut away the dead wood and turn the parties into bourgeois parties.

Many revisionist parties are still littered with communists whose wills have been broken. They still have their desires, but the will has been sapped. The inevitable result is day-dreams.

Sik concludes that “...if all enterprises produce values for others, if they expend labour for others with the aim of acquiring the largest possible wage funds (use-values from others), then the synthesis of these mutually contradictory endeavours is the realisation of labour as value.” (p. 144)

The conflict of interests between the various enterprises, each aiming to make as much money as possible, (which is all that “acquiring use values from others” means, as will be shown later) can only be resolved in the cut and thrust of the market. The conflict of the various production units makes necessary the “realisation of labour as value,” and makes it impossible for the product of labour to be directly appropriated and distributed by society, without the intervention of the market. So it is clear that Sik's “inherent contradictions of socialist labour” means the same thing as private production. Private production for exchange gives rise to value and the market in “market socialist” production, the same as in capitalist production.

**KRONROD**

The same notion was put forward in Russia as long ago as 1958 by Y. Kronrod, who also denied that private production for exchange was the cause of value in socialist production. Kronrod, like Sik, traced the value of the “socialist commodity” to a “non-antagonistic contradiction” in socialist labour. Kronrod’s argument can be summed up very briefly: On the one hand socialist labour is “directly social,” but on the other hand it is it is not. Since it may not be believed that a great “Marxist” intellectual like Kronrod would write such drivel, we quote him:

“The product of each individual enterprise is a part of the total social product. The state disposes of it directly ...At the same time the product of each individual enterprise enters circulation in the national economy on the basis of compensation alone.” (i.e. the enterprise sells it to another on the basis of its value. ICO)

“Consequently, individual parts of the internally unified total social product are isolated in the form of products of individual enterprises. In this there is a certain contradiction which arises and is resolved constantly in the socialist economy.”

“...one of the basic features of directly social labour under socialism is that it is realised at economically independent socialist enterprises which send out their products for social consumption according to the principles of commodity exchange.”(Commodity Production Under Socialism. Voprosy Ekonomiki, October 1958)

On the one hand it is directly social, but on the other hand it must go through the market. On the one hand the total product is disposed of directly by the state, but on the other it is sold in the form of commodities by the various enterprises!

### **“OWNERSHIP AND POSSESSION”**

Kronrod’s view that “socialist commodity production” was caused by the contradictions in directly social labour” was disputed by another revisionist, P. Zaostrovsev, who offered his own solution of the mystery. This is what he had to say:

“... in the socialist stage of the development of society there exists, within the framework of the general public form of property relationships between the individual enterprises, that are not the owners, but are to a considerable degree the possessors of (limited) means of production and their products ...”

“As a rule, possession and property coincide. However, under given historical conditions, ownership is separated from property, and plays a relatively independent role.”

“The possessors of the means of production, without being owners, enter commodity and monetary relationships with each other ... It goes without saying that commodity-and-money relationships within a single form of property can exist only among different possessors, who have become separated from the owners.”

“Under socialism, possession ...does not coincide with ownership. The economic operational independence of government enterprises, their activity in the field of cost accounting, characterise a specific form of possession...With us, government enterprises are not group owners, and cannot enter commodity-and-money relationships as owners. However, they do realise commodity-and-money relationships on the basis of an incomplete, limited and unique type of possession.”

“Means of production belonging to the state are disposed of ...by government-owned enterprises, on a basis of limited possession. From this flow specific forms of acquisition.”

“...separation of possession gives rise to commodity-and-money relationships.” (Socialist Property Relations Under Socialism. Voprosy Ekonomiki. July 1959)

Here the cause of value is said to be private possession of the means of production, which are privately owned. Since the production process is actually carried on, and the products are disposed of, by the “possessors,” once again it boils down to a system of private production. The legal centralisation of ownership in the hands of a single owner does not determine the nature of the production process. The actual fragmentation of the production process in the hands of the private “possessors” determines the nature of the system as a system of private production. Marxists know very well that the nature of objective reality is not determined by legal formulas. Where there is actual class inequality or actual fragmentation of the production process these things do not lose one iota of their reality because there also exist legal formulas to the effect that all citizens have equal rights or that there is a single central owner of the means of production.

(In general, it happens that every attempt to investigate in any concrete detail the nature of the “socialist commodity system” is driven by the objective nature of that system to describing it as a system of private production though these actual words have to be avoided like the plague. It is only when the writer is content to indulge in unrelieved phrasemongering, and completely ignore the reality of the “socialist commodity system,” that the private nature of this system is not made perfectly clear by the revisionists themselves. And while such unrelieved phrasemongering is all very well in periodicals intended for mass consumption, it won’t do in the specialist magazines which are published for the revisionist elite.

In Russia today the class antagonism between the rulers and the ruled has brought into being the same divorce between the contents of mass publications and specialist publications as is found in all bourgeois societies. The reality of the economy must be dealt with in the specialist magazines which help the revisionists to develop their economy, and in these the private nature of market socialism can be seen clearly.)

The discussion about the cause of value in market socialist production dragged on in the revisionist theoretical publications until about 1961. Because the actual cause of value in the fragmented, private character of production could not be acknowledged, the discussion quickly became unreal. After 1961 the attempt to find a plausible explanation of the cause of “socialist value” was given up as hopeless. The problem was no longer discussed in the theoretical press, which began to concern itself with more practical problems about the development of the market. The simple, self-contradictory metaphysics of the Political Economy of Socialism was thought, in the circumstances, to be the safest kind of humbug to dish up for popular consumption.

To conclude this section we will glance at a few of the final episodes in the discussion of the late ‘50’ s. G. Dikhtyar disagreed with Zaostrovstev’s “Use of legal standards to establish the character of economic relations among state enterprises.” (i.e. the distinction between ownership and possession.) He drew attention to the great expansion of market relations caused by the abolition of the state-owned machine-tractor stations, and the transference of ownership of heavy agricultural machinery from the state to the collectives. The Party, he said, “is eliminating the contradictions that have arisen during the course of communist construction between the growing productive forces and individual obsolescent production relations.”...by transferring heavy agricultural machinery from state to private ownership!

Accounting for “socialist value,” he re-stated the two forms of property theory – but not of course in its “Stalinist” form. Stalin said that the cause of value (not “socialist value”) in Soviet society was the two forms of ownership – state and collective. Market relations were necessary between these two forms of property, though not, of course, within the state sector of production. But, declared Dikhtyar, “Commodity production is inherent as much to the state as to the kolkhoz-cooperative sector precisely because socialist production relations ...are based on two forms of public ownership.” (Voprosy Ekonomiki, July 1959) Market relations, because they are necessary between the state and the collective sectors, are also necessary within the state sector. Why? Because ...

P. Erdesz disagreed that the two forms of property had anything to do with “socialist value” in the state sector. “Is not the building of socialism possible even in a country where there is no small, private agricultural economy, and, thus no need for collective farms! We cannot explain the commodity characteristic of state socialist production merely by the existence of collective farm property ...Commodity relations, just as other production relations, are determined by the level and the condition of the productive forces.” (Voprosy Ekonomiki, September 1959)

Does he mean that the level of development of the productive forces in all hitherto existing socialist countries was too low to permit the overcoming of private production? Is it to be supposed that he knew what he meant?

M. Sakov drew attention to the absurdity of the view that the “socialist commodity” is a product of the contradictions in directly social labour, since directly social labour means labour that is free from the contradictions that give rise to commodities:

“According to Marx, directly social labour is termed that because it is freed from the internal contradiction and is capable of being measured and compared not indirectly but directly in terms of working time. In contradiction to this idea, we see an effort to prove that direct social labour is possessed of an internal contradiction of its very nature, and therefore requires an indirect material form of expression and measurement. According to Marx, direct social production ...eliminates all commodity exchange whatever ...Ya. Kronrod advances the opposite thesis.” – “Socialist production is, by its very nature, directly social”; “...with the transition to socialism, labour completely loses its private capitalist nature ...” Where then do we get our “socialist commodities” from? From the fact that “the social nature of production is not entirely mature at the present stage of development ...Its incomplete development ...is conditioned by the fact that socialisation of the means of production is incomplete” (i.e. the two forms of property) “The incomplete maturity of direct social labour under socialism is also expressed in the continued existence of social inequality of the concrete types of labour, industrial and agricultural, skilled and unskilled, heavy and light.”

The cause of “socialist value” then is the “incomplete maturity” (but not the contradictions – that would be un-Marxist) of directly social labour. It is this that leads to the rapid expansion of market relations 50 years after the socialist revolution. But not to worry: “...the increasing employment of value categories under socialism signifies a declining line of development.” Sakov also propounds the notion that value is not itself an expression of a certain production relationship. Marx, it will be remembered, insisted that the commodity relationship was at bottom, a relationship between people in production but that it was mystified into a relationship between things. This mystification of a relationship between people into a relationship between things he called “commodity fetishism.” But Sakov, the defender of Marx against Kronrod, informs us that far from being an expression of a relationship between people in production, in fact “the social nature of value is determined ...by the nature of the relationships of production within the framework of which it exists. The value of a commodity produced in a socialist economy reflects socialist relationships. However, the value of the same commodity exported and entering into circulation on the capitalist market can reflect only capitalist relationships. Contrawise, commodities imported from bourgeois countries and entering the socialist market lose their capitalist nature.” Furthermore, when value is controlled by evil men in a socialist society it also “undergoes certain metamorphoses.”

Since, in fact, value is a production relationship between people mystified into a relationship between things the foregoing piece of mystification can only be regarded as an expression of commodity fetishism in market socialist theory. The notion that value is a mirror in which either capitalist or socialist production relationships can be reflected treats value itself fetishistically as a thing and not a social relationship.

### **The Law Of Value**

When Marx said that the commodity was the embryo of capitalism he meant that the development of commodity production gave rise to capitalist society and to the economic laws of capitalism. The remark was no passing figure of speech. Here is what he said in a letter to Engels on 22/6/1867. (The year Volume I of Capital was published):

“Messrs the economists have hitherto overlooked the extremely simple point that the form: 20 yds of linen=1 coat is only the undeveloped basis of 20 yds of linen=£2, and that therefore the simplest form of commodity, in which the value is not yet expressed is a relation to all other commodities but only as differentiated from the commodity in its own natural form, contains the whole secret of the money form and with as in a nutshell all the bourgeois forms of the product of labour.” (Sel. Corr. p. 222)

And Engels in Anti-Dühring:

“The concept of value is the most general and therefore the most comprehensive expression of the economic conditions of commodity production. Consequently, the concept of value contains the germ, not only of money, but also of all the more developed forms of the production and exchange of commodities.”

“The value form of products therefore clearly contains in embryo the whole capitalist form of production, the antagonism between capitalists and wage-workers, the industrial reserve army, crises. (p. 340/I)

“...the law of value is precisely the fundamental law of commodity production, hence also of its highest form, capitalist production.”(p. 343)

By value is meant of course exchange value. The use-value of a commodity can only be realised in its use after its exchange value has been realised in money form through its sale. Commodities exchange in proportion to the amount of labour required for their reproduction. They do not exchange directly for one another, but for money (or if they are exchanged directly the exchange is measured in money.)

In commodity production use-value is exchanged for use-value, through the intermediary of money and prices, in proportions determined by the amount of labour required for the production of the various use-values – which is their value. Value determines the ratio of exchange of the various use-values. And the producers of the various use-values are not directly interested in their use-value but in exchange value. They are producing for sale. Their efforts are crowned, not by the excellence in use of their products, but by the profit which can be made on their sale.

In commodity production the following cycle is repeated endlessly: Money is used to buy commodities for use in the production process; in the production process labour power is set to work on the other commodities; an increase in the stock of commodities results; these are sold (assuming favourable market conditions) for an increased amount of money. The cycle is: Money-Commodities-Production-Increased Commodities-Increased Money. Only Money, which is the most general form of bourgeois wealth, provides a resting point in the system.

Out of the commodity system, whenever it may occur, must come all the categories of bourgeois economy: profit, interest, rent, wage-labour, prices of production, the rate of profit, etc. The competition of the various enterprises must bring all of these categories into being. The only effect of a legal attempt to abolish any of them while retaining their basis would be to make them express themselves in a roundabout manner. It would be possible to abolish the market. It would not be possible to retain the market but abolish its categories.

“The categories of bourgeois economy ...are forms of thought expressing with social validity the conditions and relations of a definite, historically determined mode of production, viz., the production of commodities.”(Vol. I, p. 76)

Once the commodity form of production is given, the only economic laws and categories that make economic sense are the laws and categories of capitalism. In the mass of obscurantist theorising which has been done in Russia since about 1955 one can observe this fact of life impressing itself on the minds of an intelligentsia who were officially committed to socialism and whose official ideology was Marxism. In rediscovering, and finding new ways of stating the bourgeois economic categories they declared that they were laying the basis of communist society. And it is possible that many of them felt that they were.

The law of value, the exchange of products on the basis of value, is the basic law of commodity production. In its development it gives rise to all the other laws and categories of commodity production. In its highest development it gives rise to the laws of capitalist production. That is one of the most fundamental discoveries of orthodox Marxism.

### **STALIN ON THE LAW OF VALUE**

“Value, like the law of value, is a historical category connected with the existence of commodity production.”(Section Three)

“Whenever commodities and commodity production exist, there the law of value must also exist.”(Section Three)

“Marxism regards laws of science – whether they be laws of natural science or laws of political economy – as the reflection of objective processes which take place independently of the will of man. Man may

discover these laws, get to know them, study them reckon with them in his activities and utilise them in the interests of society, but he cannot change them or abolish them.” (Section One)

“It is said that some of the economic laws operating in our country under socialism, including the law of value, have been “transformed”, or even “radically transformed”, on the basis of planned economy. That is likewise untrue. Laws cannot be “transformed”, still less “radically” transformed. If they can be transformed, then they can be abolished and replaced by other laws. The thesis that laws can be “transformed” is a relic of the incorrect formula that laws can be “abolished” or “formed.” Although the formula that economic laws can be transformed has already been current in our country for a long time, it must be abandoned for the sake of accuracy. The sphere of action of this or that economic law may be restricted, its destructive action – that is, of course, if it is liable to be destructive – may be averted, but it cannot be “transformed” or “abolished.” (Section One)

Where commodity production exists the law of value must also exist. But:

“One of the distinguishing features of political economy is that its laws, unlike those of natural science, are impermanent, that they, or at least the majority of them, operate for a definite historical period, after which they give place to new laws. However, these laws are not abolished, but lose their validity owing to new economic conditions and depart from the scene in order to give place to new laws, laws which are not created by the will of man but which arise from the new economic conditions.” (Section One)

In the Soviet economy, therefore, the aim was to restrict commodity production, and hence its laws, and ultimately to replace commodity production with production for use throughout the entire economy. The idea of “transforming” the laws of commodity production was declared to be absurd.

Here is a “criticism” of Stalin’s view by an eminent “creative Marxist”:

“In 1941, in a conversation with economists, Stalin declared that the law of value existed in the Soviet Union. But the very restricted interpretation he gave to this law and to value categories, including price, in effect changed little as compared with the former concepts. The law of value was so “curtailed” that, actually, its role was denied. The categories of commodity and value were declared to be incompatible with state ownership of the means of production, and were not “admitted” into the sphere of production of the means of production.” Of these “old categories of capitalism,” as Stalin put it, only the “outward aspect” remained.

“Stalin recognised the law of value as a law of production only for collective farm production. But actually even this was reduced to naught by his assertion that planned procurement prices of, agricultural produce, i.e. the prices at which the collective farms sold the bulk of their production for the market, could not be based on value. He declared that value was completely incompatible with planned price formation.”

“Recent years have witnessed a sharp change in the attitude toward profit both in economic theory and in practical economic activity. The party has resolutely cast aside the subjectivist propositions which gained currency during the period of the cult of Stalin’s personality, including the grossly mistaken approach to such categories inherited by socialism from the past as commodity, value, price, and profit. They began to be regarded in their new socialist quality ...” (i.e. in their “transformed” nature. ICO) (L. Gatovsky, The Role Of Profit In A Socialist Economy. Kommunist No. 18, 1962)

Gatovsky here uses a standard piece of revisionist trickery. Stalin, it is conveyed, had to admit for the sake of appearances that the law of value continued to exist in the Soviet economy, but his bureaucratic nature wouldn’t permit him to let it operate in peace. Having formally conceded its existence he immediately set about negating it in practice. In this as in all other things his theory and practice were totally unrelated. His theory was a mere “image” which he projected for some reason best known to himself.

But what actually happened? Stalin opposed the view that the laws of commodity production, the law of value, were abolished or transformed in the Soviet Union. Commodity production existed, therefore so did its laws. To the extent that the laws of commodity production operated, they did so in the same way in which they always operate.

Commodity production therefore was a remnant of capitalist economy in the Soviet economy. While insisting that the law of value continued to operate in the old manner whenever commodity production existed, while insisting that the commodity was still the cell of capitalism, Stalin used every opportunity to restrict the sphere of operation of the law of value and commodity production. Where is the inconsistency in that? Does Gatovsky think that, because Stalin took careful note of the existence of the cell of capitalism in the Soviet economy, he was obliged to give that cell freedom to multiply itself?

Gatovsky and his colleagues, of course, have baptised the cell of capitalism and given it a “new socialist quality”, and they are going to build communism with it. Since Stalin, poor man, wasn’t able to work miracles like that he had to content himself with trying to restrict the sphere in which the cell of capitalism could operate.

### **THE TRANSGURATION OF VALUE**

“ ‘Commodity’, ‘money,’ ‘price,’ ‘profit,’ and other categories of the socialist economy ...are inherent in socialist production relations, are inalienably connected with them.” However: “Under socialism we are speaking of a law of commodity – money relations, and of a law of value, with a social content and role altogether different from those under capitalism, of a law of value and commodity-money relations the like of which has never before existed in history.” (Soviet News 9/4/’68, Reprinted from Pravda.)

The law of value has become the socialist law of value and promotes the development of socialist society through its categories of socialist rent, interest and profit. And, according to Libermann:

“The significance of profit in the Soviet Union was underestimated owing to a certain disregard of the law of value. Some Soviet economists incorrectly interpreted the law as an unpleasant leftover from capitalism and said we had to get rid of, it quickly as possible.” But: “The law of value is not a law of capitalism but a law of all commodity production, including planned commodity production under socialism.”

Under capitalism, says Libermann, the law of value gave rise to a category of profit which was distorted by influences coming from outside the production process, i.e. tariffs, unemployment, the arbitrary raising of prices, etc. But socialist profit reflects only strictly productive influences. “Capitalist profit is therefore a bad measure of efficiency compared with “socialist profit”:

“Capitalist profit ...can indicate anything under the sun over and above purely technical organised efficiency.” But “Behind Soviet profits there is nothing except hours of working time, raw and other material and fuel, and kilowatt-hours of electrical energy that have been saved.”

“Under socialism, profits can be a yardstick of production efficiency to a far greater degree than in the west., for in the Soviet Union profits follow, in principle, only from technological and organisational improvement.” (Are We Flirting With Capitalism?)

The socialist law of value, therefore, is purified of the influences which distort the capitalist law of value. The purified value categories of socialism, therefore, give a more accurate reflection of purely technological factors than the value categories of capitalism. Now this notion of socialist production being based on purified value was not unknown in Marx’s day. (It would appear that “creative Marxism” came into existence long before Marxism.) Dühring, for example, proposed it. Here is what Engels had to say about it in his book *Anti-Dühring*:

“To seek to abolish the capitalist form of production by establishing “true value” is ...equivalent to attempting to abolish Catholicism by establishing the “true” Pope, or to set up a society in which at last the producers control their products by the logical application of an economic category which is the most comprehensive expression of the subjection of the producers by their product.” (p. 341)

The revisionists still say that the law of value will cease to operate one day. According to their programme the Soviet Union will enter the period of full communism in 10 years time. But the purified law of value will continue to operate in their “Communist” society, giving us market communism. Their statement that their society will one day free itself from the market then takes on the character of prophecies about the Second Coming of the Lord.

It is interesting to note how they envisage the law of value ceasing to operate. In the Pravda article quoted above we read:

“...the law of value will become unnecessary owing to ... having been ...consciously applied to the planned economy.”

The conscious application of the law of value was also one of Dühring’s notions. Engels replied to Dühring, in the “Stalinist” manner which was characteristic of him:

“ ...the law of value is precisely the fundamental law of commodity production, hence also of its highest form, capitalist production ...By elevating this law into the basic law of his economic commune, and demanding that the commune should apply it with full consciousness, Herr Dühring makes the basic law of existing society into the basic law of his imaginary society ...Like Proudhon, he wants to abolish the abuses which have arisen out of the evolution of commodity production into capitalist production, by applying to them the basic law of commodity production, precisely to the effects of which these abuses are due. Like Proudhon, Herr Dühring wants to abolish the real consequences of the law of value by means of imaginary ones.”(p. 343)

It follows that the only effect of purifying the laws of the market is to harness society more tightly to the market. The only sense in which the “conscious application” of the purified law of value to society will lead to the law of value ceasing to operate is by generating a revolutionary situation in which the proletariat overthrows the conscious appliers of the law of value. (What peculiar names the bourgeoisie give themselves these days!)

(It would be outside the scope of this pamphlet to deal in detail with Liberman’s view of the efficiency of “capitalist” and “socialist” profit as measures of efficiency. That will be done in a subsequent pamphlet. Here we will only remark that Liberman only counterposes the ideal form of capitalist profit against the actual, and calls the ideal form “socialist profit.”

A bourgeois society with a long history accumulates many purely parasitic layers in its ruling class. And a bourgeoisie which has established a strong position in the world market will often try to keep down competitors by political rather than economic measures. On the other hand a strong new bourgeoisie which is trying to muscle in on the world market may be carrying very few parasitic layers in itself and will be an advocate of free trade and pure economic competition. The ideologists of the contending bourgeoisie will always tend to view the dominant bourgeoisie as Liberman etc., view the western bourgeoisie.

In like manner the American bourgeoisie half a century ago attacked the degenerate, monopolist, colonialist British bourgeoisie. And they might well have been advocates of the “democratic profit” of America, which reflected production efficiency with less distortion than the “aristocratic profit” of Britain.

But Marx, as he asserted continuously throughout *Capital*, discounted all political and social distorting influences on the value categories that he was investigating. He investigated the essential nature of capitalist profit and that is all that Liberman’s “socialist profit” means in this context.)

The discussion about the nature of the “transformed law of value” by the revisionist economists was as inconclusive as their discussion of “socialist value.” It was asserted that: “Under socialism the law of value operates in the system of economic laws engendered by socialist production.” (M. Salov, *Voprosy Ekonomiki*, 1960, No. 2) “...the law of value is the law which governs the process of planned price formation.” (Ya. Kronrod, *ibid*, 1960, No. 10) These assertions were not backed up with any attempt to demonstrate concretely how the “socialist law of value” operated. They were mere dogmatic assertions.

According to S. Pervushkin (*Planovoe Khoziaistvo*, 1961, No. 7), “the chief function of research is not to argue about whether the law of value does or does not exist, since experience has long since and convincingly shown that the law of value and value categories do exist, but to study the specific forms in which the law of value appears in the different stages of building socialism.”...“We know that the entry of our country into the period of the

comprehensive building of communism is marked by a broadening rather than a curtailing of the sphere of operation of value categories within the country and in relations between countries.”

What this means is that it must be assumed as a dogmatic truth that the law of value not only exists, but expands its operations throughout the period of socialism. He says that “experience” has demonstrated this; and experience of course is the ultimate negation of dogma. But on the lips of a revisionist “experience” becomes a mere phrase, the appeal to “life” when reasoning is bankrupt. When something occurs in actual life it can be analysed concretely. The actual living phenomenon that calls itself market socialism can be analysed concretely, and it can be demonstrated that it is merely a further modification of the bourgeois system. If life has, in fact, developed “socialist value” and a “transformed law of value”, these phenomena could also be analysed concretely. And it could be shown precisely how “socialist value” comes about and how the operation of the “transformed law of value” gave rise to communist society. The reason that the revisionists cannot do this is that in life there is no “transformed law of value”: there is merely the expansion of the law of value and of private production under a camouflage of socialist phrases. Life has presented us with no paradox of a “transformed law of value” leading to communist society. What it has presented us with is the restoration of bourgeois production by revisionism.

(The law of value is further dealt with in the section on Prices.)

### **The “MARKET” & the MARKET**

Oskar Lange, the pioneer of modern market socialist theory, developed his notion of a socialist market in the 1930’s in the course of dealing with von Mises’s argument that it was impossible to estimate the efficiency of production under socialism due to the absence of market prices. (See Part I) Lange’s solution was that under socialism there would be a pseudo-market for establishing market prices. Referring to the matter in an article written in the mid-sixties, “The Computer and The Market” (included in “Socialism, Capitalism and Economic Growth: Essays presented to M. Dobb, 1967), Lange wrote:

“Pareto and Barone had shown that the conditions of economic equilibrium in a socialist economy could be expressed by a system of simultaneous equations. The prices resulting from the equations furnish a basis for rational economic accounting under socialism ... At a later date Hayek and Robbins maintained that the Pareto-Barone equations were of no practical consequence. The solution of a system of thousands or more simultaneous equations was in practice impossible and, consequently, the practical problems of economic accounting under socialism remained insoluble.”

In 1936 Lange proposed that some kind of trial market, the nature of which remained very hazy, should be set up to produce market prices. But:

“Were I to re-write my essay today my task would be much simpler. My answer to Hayek and Robbins would be: so what’s the trouble? Let us put the simultaneous equations into the electronic computer and we shall obtain a solution in less than a second. The market process with its cumbersome tatonments (a term of Walras’s meaning trial and error approximations through which the market price is arrived at, ICO) appears old fashioned. Indeed, it may be considered as a computing device of the pre-electronic age ... The market mechanism and trial and error procedure proposed in my essay really played the role of a computing device for solving a system of equations.”

“It may be interesting to compare the relative merits of the market and of the computer in a socialist economy. The computer has the undoubted advantage of greater speed. The market is a cumbersome and slow-working servomechanism ... Another disadvantage of the market ... is that its iterations (i.e. fluctuations, ICO) cause income effects. Any change in prices causes gains and losses to various people. To the management of a socialist economy this creates various social problems connected with these gains and losses. Furthermore, it may mobilise conservative resistance to the iterations ...” (p. 158-60)

This market process, then, would exist completely in the mind – or rather in the computer. At any given time, provided all the necessary information about the economy were given to it, it would produce a list of what the market prices of the various products would be if they were commodities in a market. The socialist products would then be given these commodity-prices, presumably.

Sik had no time for this idea (and indeed it must be considered as a mere play thing of an academic.)

“Oskar Lange ...was among the first to link socialist planning with the market mechanism ...Unfortunately, his approach to the market fails to reveal the socio-economic basis that exists under socialism, too; he does not start from the intrinsic conflict between socialist labour and economic interests and, therefore, fails to show prices as being the necessary form in which this conflict can be resolved. Consequently, he was unable to put his finger on the true nature of the socialist market and the dialectics of the plan/market relation. Since his outlook was necessarily influenced by the views then prevailing amongst Marxist economists” (he means by “Stalinism” I.C.O.), “that the market mechanism cannot operate together with socialist planning, he looked for a substitute to the market in balanced prices fixed at the centre and, in fact, was ready to make concessions to a concept of socialist planning based on administrative priorities.” (p. 147)

Lange’s scheme kept the idea of market socialism alive in the communist movement during a difficult period for the opportunists. That was its virtue. Otherwise it was a complete fantasy. The notion of running a planned economy with the economic categories of the market, which have been worked out in a computer, is merely another petty-bourgeois notion of combining what is “best”, from the petty-bourgeois viewpoint, of the two different modes of production. Marx wrote:

“an estimate of the values of commodities, for instance in terms of money, can obviously only be the result of their exchange. If, therefore, we assume such an estimate, we must regard it as the outcome of an actual exchange of commodity-value for commodity-value.” (Vol. 3 p. 171)

If an economy is to be run with the categories of the market, then in order that it should function efficiently there must be a real market and not a pseudo one. Every system of production had its own laws, and within each system “rational” economic activity must reflect these laws. Once it is assumed that socialism is a commodity system, reason is always on the side of those who are advocating “reforms” in the direction of a functioning market.

Since the invasion of Czechoslovakia the literary hacks of Russian revisionism have been churning out “criticisms” of Sik’s market theory. Needless to say there is not a shred of honesty in these “criticisms”. If these critics were not utter prostitutes, hack propagandists of revisionism, their criticism would not be directed mainly against Sik: it would be directed against Kosygin, Liberman and the Russian market socialists. Their disagreement with Sik is not mainly with what he says, but with the way he says it. He is not sufficiently obscurantist.

If Sik thought that the time had come for a fully operational market in Czechoslovakia, while the Russian leadership does not yet advocate such a thing in Russia, this is not due to Sik being a capitalist and Kosygin being a socialist. It is due to differences between the state of the Russian and the Czech economies. To allow a fully operational market to come into being suddenly in 1956, or since, would not only have been politically undesirable in Russia – it would have been impossible. The market had not so much to be freed as to be reconstructed. If comprehensive planning had been abolished and every restriction on the operation of the market had been lifted, the result would not have been an operational market but a breakdown of the economic process. Before there could be a fully operational market there had to be a careful reconstruction of market connections and of market psychology.

“In such a vast and complex organism as is the national economy of the Soviet Union it would be impossible ...to introduce radical changes in the system of price formation until a new system has been worked out in every detail and tested. And perhaps, on the whole, the transition should be made gradually, as the conditions for it are prepared and matured.” (S. Pervushkin: *The Law of Value and Prices*. Planovoe Khoziastvo, 1961, No.7)

But in Czechoslovakia, where only a few years of planning had preceded “market socialism”, the reconstruction of the conditions required for a fully operational market would be a much simpler task than in the Soviet Union, where comprehensive planning had been developed for a quarter of a century. While these conditions are still being “prepared and matured” in Russia they have come into being in Czechoslovakia. Sik expressed the requirements of Czechoslovak “market socialism” as truly as Kosygin expressed the requirements of Russian market socialism when Khrushchev was ousted. If Sik is now attacked in the Russian press that is due to contradictions between the national

economies of Czechoslovakia and Russia. Conflict is caused on the one hand by the fact that the market is at a different stage of development in each country. But basically there is the international conflict between their market interests that inevitably develops between market economies.

### The “SOCIALIST” market

“The market community as such is the most impersonal relationship of practical life into which humans can enter with one another ...The reason for the impersonality of the market is its matter-of-factness, its orientation to the commodity and only to that. Where the market is allowed to follow its own autonomous tendencies its participants do not look towards the persons of each other but only toward the commodity ...Market behaviour is influenced by rational purposeful pursuit of interests ...The market is fundamentally alien to any type of fraternal relationship” (Max Weber, bourgeois sociologist:” Law in Economy & Society (1922) 1954 edition, p. 192/3)

In revisionist science fiction we are presented with propaganda about a market, based on fraternal relations, serving the working class interest, (or serving the interests of “the whole people.”) An article was published in Pravda on September 1st, 1964, with the title, “What is Useful For the Country, Is Profitable For Everyone.” (Author, V. Shkatov. Among other things, the article argued in favour of differential rents.) How does the “socialist market” ensure that “what is useful for the country is profitable for everyone”? Liberman deals with this question as follows:

“...what guarantee is there that ...enterprises will be primarily concerned with state interests? In our opinion we can and must provide such a guarantee ...It may be provided under the conditions that what is profitable to society as a whole will also be profitable to each production collective and on the other hand, what is wasteful from the standpoint of public interests will be extremely unprofitable to each enterprise. In principle there should be no place under socialism for, contradictions between the interests of society and those of individual enterprises. But adverse factor ...stemming from ...the period of the personality cult, frequently result in the interests of the national economy and of the personnel of individual enterprises coming into conflict ..” (Planning Production etc., Voprosy Ekonomiki, 1962 No. 8)

“The system proceeds from this principle: what is profitable for society should be profitable for every enterprise. And, on the contrary, what is unprofitable for society should be extremely unprofitable for the staff of any enterprise.” (Plans, Profits, Bonuses; Pravda, September 9, 1962)

The bourgeois philosopher, Leibnitz, said: everything is for the best in this, the best of all possible worlds. There was a certain consistency in that since Leibnitz was prepared to agree that whatever happened was the best that could possibly happen in the circumstances. Voltaire, who would not submit to the fatalism of this view, caricatured it in Candide by showing murder, rape, and pillage as the best of all possible happenings.

But what does our “Marxist”, Liberman, say? In substance, he says; Everything should happen for the best in market socialism, which is the best of all possible socialist systems; and if it doesn't that is due to the continuing influence of the “Stalin cult.” Stalin's ghost is haunting the system and leading it astray.

Here we are presented with the same “oughts” and “shoulds” that we find in capitalist propaganda. The system “ought to” function harmoniously, and the various enterprises “should” function together for the public good. Capital and labour “should” work together in peace. This kind of moralising always tries to cover up an objective conflict. If there is no objective basis for a conflict of interests there will be no need for moralising statements to the effect that there ought not be a conflict of interests.

The functioning of a system either promotes harmony or it promotes conflict. If market socialism promotes harmony between enterprises it can be shown, through an investigation of it, how this is so. But Liberman can only assert moralistically that it “should be” so. V. Trapeznikov, a Libermanite, declares that “...the economic interests of an enterprise must coincide with those of the national economy.” (Pravda, August 17, 1964) They should; they must. But do they? Let another revisionist, one of the “Realist” school, supply the answer:

“Some economists support their views with the following arguments: that which is profitable for society as a whole must also be profitable for all its members. But they drew different conclusions from this

statement: some hold that the interests of self-supporting enterprises are absolutely identical with the interests of the state, as if this community of interests is assured automatically. Meanwhile, there is not and cannot be such identity under the conditions of socialism. By acknowledging a certain separateness of self-supporting enterprises, and, thus, the need to vest them with certain rights, we thereby recognise a certain separateness and specificity of these enterprises' interests ...It must always be borne in mind that these specific interests play a positive role in socialist society; they are bound up with material incentive.

“These specific interests and their separateness may, in the conditions of the enterprises' independent economic activities, give rise to the possibility of their clashing with the interests of society as a whole ...” (G. Kosiachenko, *The Plan & Cost Accounting: Finasy*, S.S.S.R. 1964, No. 12)

Sik, of course, bases his whole system on an open acknowledgement of the fact that under “market socialism” there is a conflict of interest between the various enterprises: a conflict which gives rise to, and can only be resolved in, the market. He writes that market socialism, “while creating common interests of society as a whole,” (we need pay no attention to this, Sik never indicates how the “common interest” is produced; this is merely his concession to official revisionist ideology) ...“also generates specific interests of groups and individuals, which come into non-antagonistic conflict on practical issues.” (p. 155)

The relations between enterprises in a system of “market socialism” can no more be fraternal and cooperative than can the relations between ordinary bourgeois enterprises. In both, the enterprises engage in conflict with one another on the market, each striving to realise maximum profit, each striving to outdo its competitors. The section of the revisionists which acknowledge that their system rests on a conflict of group interests in production is in fact acknowledging that their system of production operates through a conflict of private interests. A “group interest” is, with relation to society, a private interest. To say that the various private interests “ought to” be primarily concerned with the public good is about as useful as saying that the capitalists ought to act in the interests of the workers.

(Having reduced everything to private material incentives, the Russian revisionists say: “It would be wrong to reduce everything solely to material incentives; that would impoverish the inner world of the Soviet citizen.” (L. Brezhnev: *Soviet News*, 16/4/68) Every exploiting system needs a humbugging idealist morality for its masses. The Irish workers are admonished to meditate on the Christian virtues. The Russian workers, having once more been made a subject class, are admonished to meditate on socialist virtues. The historical destiny of the workers is not to meditate on classless virtue in a system of class exploitation, but to remake the world, and rid it of class exploitation, through proletarian revolution.)

### **“SOCIALISM” a new way of describing CAPITALISM**

“What labour is it that is necessary?” Answer: Some labour that shall employ the faculties of the soul, and body, and be profitable ...”

Rev. Richard Baxter: *A Christian Directory*: 1673: p. 467)

Since they have not succeeded in eradicating entirely from the awareness of the working class the knowledge that capitalism is connected with the production of exchange-values and that socialism is connected with the production of use-values, the market-socialists are compelled to make frequent use of the word “use-value” when describing their system. An idea of how they do this can be gathered from the following extracts from the redoubtable Sik:

“...as a general rule people expend their labour for others primarily because labour is the condition for acquiring from others the use values needed for themselves”. (Sik's emphasis: p. 139)

“An enterprise in the first place produces use values for all its customers in proportions corresponding to demand ... There is no better judge of whether products are in fact use values of the kind required than the customer. Therefore, the first condition for an enterprise to acquire a wage fund in return for its operations is that the consumer should assess how far the products meet his needs. No one is likely to invent a better way than that linked to commodity production, whereby the consumer voluntarily, free of any administrative pressure, confirms the usefulness of commodities by buying them.” (p. 143)

“An enterprise will, naturally, be interested, not only in realising the maximum value, but, together with this, in producing the maximum volume of use values, i.e. in producing all its products productively ..., and moreover in turning out the very best, progressive use values.” Bigger profits will be made by cutting costs “and making use values superior to the general run.” (p. 144)

“...no one has been able, or is likely to suggest a better way of interesting groups of producers in optimum operation than through the action of commodity-money relations. Each socialist co-operating group can, in effect, acquire commodities with the required use-values from other units only to the value of which they have themselves produced commodities of a given use value for others.”(p. 144/5)

Here socialism is described as a system which produces use, values for others: capitalism, of course, being a system which produces exchange-values.

But what is the production of exchange value except the production of use-values for others? And what is use-value produced for others in a market system but exchange-value?

The ground has been prepared by the revisionists over the past decades for this cheap piece of trickery by the virtual denial that capitalism (or at any rate monopoly capitalism) produces use-values. (It has even been denied that monopoly capitalism is subject to the laws of commodity production, and asserted that the monopolies merely compete with one another in the arbitrary raising of prices of useless commodities.)

It might seem to be a sign of a great hatred of capitalism to deny that it produces use-values. In fact it is merely a means of dulling working class consciousness.

Capitalism does, of course, produce use values. Unless a product has a use-value it cannot be a bearer of exchange value. It is not a matter of indifference whether a commodity is a concrete mixer or a crane, a hammer or a saw, a motor car or a tractor. Each might have the same price, bear the same amount of exchange value, as the other, but each has a quite different use-value. This is elementary Marxism. As Marx put it, in order to produce a commodity a man must

“...create use-values for others, social use-values ...nothing can have value without being an object of utility. If a thing is useless, so is the labour contained in it; the labour does not count as labour, and therefore creates no value.” (Vol. 1 p. 41) “Commodities come into the world in the shape of use-values.” (p. 47)

A commodity, then, is use-value produced for others. Sik declares that his “socialist enterprise” produces use-values for others in order to acquire as many use values as possible from others. Henry Ford and I.C.I. also produce use values for others, for their customers. Every capitalist enterprise produces use values for others and acquires use values from others. Marx made that absolutely clear. Every capitalist enterprise produces use values for others, and with the money it receives purchases use-values from others in order to produce still more use values for others. And by producing “the very best progressive use values” a capitalist enterprise will have the edge on its competitors, and will be able to sell its products more advantageously, and then acquire a greater amount of use values from others.

The point is that a use-value produced for others must get to the others before being used, and that definite laws emerge from the multitude of intersecting journeys which the various use values must make from their producers to their users – the “others”. These are the laws of the commodity system.

The revisionists tell us that their commodity system serves social needs, whereas the bourgeois commodity system does not. This is another myth. In the market system social needs express themselves as market demand. There is a certain market demand for food of various qualities, clothing of various qualities, housing of various qualities, cars, planes, professors, gollywogs, prostitutes, tractors etc. These needs are met through the market to the extent to which they can express themselves as market demand. There are certain other needs which cannot express themselves as market demand but which the bourgeois state meets at a minimum level in order to relieve the pressure on the system from the working class, or in order to improve the quality of the labour force, i.e. the “welfare state” develops.

Capitalist production undoubtedly meets certain social needs. If it didn't the system would collapse. The point is that it meets them indirectly, through the chase for profits, through the conflict of private interests. It meets needs to the degree in which it can make a profit by meeting them.

A capitalist enterprise produces use-values "for others", and the use values meet social needs. If it failed either to produce use-values or to produce required use-values its goods would be unsaleable. But it produces these use-values in order to make a profit by selling them. And it produces use-values that are socially required by producing goods that it can make a profit by selling. The rate of profit is the indicator of social need. When too big a proportion of the available productive resources are used in supplying a certain social need the fall in demand reduces prices and the rate of profit, capital is discouraged from entering that sphere of production, and some may be induced to leave it for more profitable spheres of activity. When too small a proportion of the available productive resources are engaged in supplying a certain need, prices and the rate of profit rise in that sphere of production and attract capital to it. That is how productive resources are allocated to meet social needs by the operation of the law of value.

The motive for which the various enterprises produce socially required use-values is the realisation of exchange-value. Social needs are met in order to make a profit by meeting them. And with the profit realised on one cycle of production, an expanded cycle of production is engaged in with a view to realising increased profit. That is why "use-values must never be looked upon as the real aim of the capitalist; neither must the profit on any single transaction. The restless never-ending process of profit-making alone is what he aims at." (Capital, Vol. 1, p. 152)

Market demand is indirect expression of social need. Social need is met indirectly through the market. But the process whereby social need is met by fulfilling market demand is limited and contradictory:

"...the demand for productive-consumption is, under our assumption, a demand of the capitalist, whose essential purpose is the production of surplus value, so that he produces a particular commodity to this sole end. Still, this does not hinder the capitalist, so long as he appears in the market as a buyer of, say, cotton, from representing the need for cotton ... But this does exert a considerable influence on the kind of buyer the capitalist is. His demand for cotton is substantially modified by the fact that it disguises his real need for making profit. The limits within which the need for commodities in the market, the demand, differs quantitatively from the actual social need, naturally vary considerably for different commodities; what I mean is the difference between the demanded quantity of, commodities and the quantity which would have been in demand at other money-prices or other money or living conditions of the buyers." (Vol. 3, p. 185)

(This quote, incidentally, refutes the allegation made by the eminent opportunist, M. Dobb, that Marx knew nothing of the "elasticity of demand.")

Social need as expressed through the market is both represented and met by private interests whose activities are dominated by the rate of profit. This is true whether the private interest be an individual capitalist owner, a public company, a profit-sharing "partnership" of management and labour such as is found in openly capitalist societies, the management of a "market socialist" enterprise, or the "workers council" of a market socialist enterprise.

In this respect, then, market socialism is only a roundabout way of describing capitalism. In the heading of this chapter we called it a new way of describing capitalism. But all that is new is the ascription of the name "socialism" to the description. The trick of describing market production as the production of use-values for others is not new. At the end of the 19th century utilitarianism became the main school of bourgeois political economy. The chief virtue of the utility theory of value was that it enabled the capitalist system to be described as a system of production and circulation of use-values. Value, price and profit (and of course rent and interest were then fitted into this description as indices of social usefulness. The trick was first performed by Isaac Butt and Mountifort Longfield, Professors of Political Economy in Trinity College, Dublin in the 1830s, and was comprehensively developed by Jevons in the 1860s, and later by Marshall and Keynes. And now this piece of idealist mystification, originated by the intelligentsia of the totally parasitic Anglo-Irish Ascendancy, is given its most sophisticated development by the "Marxists", Liberman and Sik. Like the bourgeois utility theorists they try to obscure the difference between a commodity and a directly produced social use-value by describing the commodity as a use-value produced "for others". But this changes nothing in the nature of the commodity. Only the method of describing it has changed. Marx's honest, scientific method is replaced with a trickster's method borrowed from bourgeois political economy,

in the period of its degeneracy, when instead of trying to enlighten itself, as in the time of Petty, Smith and Ricardo, its chief function was to develop confusion in the working class movement.

(This point was dealt with in more detail in *The Irish Communist*, November 1968)

### **Market demand**

In capitalism social needs are supplied through the market to the extent that they can express themselves as market demand. The social needs of the most numerous and productive class are met at a minimum level. The social needs of the biggest owners of the means of production, who are the smallest class, are met at a maximum level. The social needs of the small owners are met much more adequately than those of the working class, though less adequately than those of the capitalists.

It is maintained by the revisionists that, even though social need must express itself as market demand in order to be met in “market socialism” as in capitalism, the inequality of market demand in its capitalist form is eliminated in market socialism. In the latter, therefore, market demand can give adequate expression to the social needs of the working class, as well as of other classes. It is as well to clarify the full implications of this argument.

The backbone of consumer demand is the demand for the basic consumption goods of the working class. (Even though the wage of each worker is kept as low as possible, total wages make up the great bulk of consumer demand because of the size of the class.) Under early capitalism this demand was kept at an absolute physical minimum. It was often driven below this minimum, resulting in rapid physiological deterioration of the workers. Wages would not even procure enough to maintain a reasonable standard of physical health. But this state of affairs could only be maintained so long as the working class was too fragmented to engage in any organised defensive action. As capitalism developed so did the organisation of the working class; and as the organisation of the working class developed, so to a certain extent did the expression of certain of its needs as market demand. In the more developed capitalist societies the physiological minimum of the market demand of the working class, of wages, was soon left behind. As Lenin put it:

“...when discussing the relation between the growth of capitalism and of the “market”, we must not lose sight of the indubitable fact that the development of capitalism inevitably entails a rising level of requirements for the entire population, including the industrial proletariat. This rise is created in general by the increasing frequency of exchange of products ...It is also brought about by the crowding together, the concentration of the industrial proletariat which enhances their class-consciousness and sense of human dignity and enables them to wage a successful struggle against the predatory tendencies of the capitalist system. This law of increasing requirements has manifested itself with full force in the history of Europe.”(On The So-Called Market, 1893, Coll. Works, Vol. I, p. 106)

The increase in working class demand for commodities expanded the capitalist market. If working class market demand had remained at the physiological minimum capitalist production would long ago have reached the absolute limits of its expansion. Yet the expansion of working class demand, and hence of the capitalist market, had to be forced on the capitalists by the organised strength of the workers. The market was extended through the class struggle with every individual capitalist resisting its extension for all he was worth. Yet the extension of the market was a condition for the continuing development of capitalism.

The chronic slump and the growing communist movement in the 1930's forced a certain collective awareness on the private interest of what was required in the overall interest of their system in this respect.

Since then the modification of demand by the state has been accepted as a necessity, as has the sustaining of working class demand by the state during periods of heavy unemployment. But once again this is a product of the class struggle. Fear of the highly organised working class is the reason why the bourgeois state maintains working class demand in this manner. (Southern Ireland lags behind in this respect because of the safety valve of emigration.)

The point is that the market demand of the working class no longer expresses merely the physiological minimum of need.

It is also a fact that since 1914 the capitalist class has been compelled to rid itself of certain of its parasitic layers. The decrease of domestic servants as a percentage of the total working class in Britain is obviously related to a development in the class which employs domestics. An increase in domestic servants as a percentage of the working class, and an increase in the wealth of the landed aristocracy and of coupon-clippers living on the proceeds of exported capital would have reflected an increasing divorce between the ruling class and production, and to a consequent increasing disablement of the ruling class.

This point was driven home between the wars to the more class-conscious sections of the ruling class, who took measures to “rationalise” the ruling class: diminish, or at least halt the growth in, its more parasitic layers; and ensure that on the whole it was closely related to production. The bourgeoisie would not have lasted this long if they had been incapable of taking such measures to preserve themselves. But they are clearly determined to last as long as they can. Their most conscious ideologists, Keynes and Schumpeter, for example, have acknowledged that the basis for bourgeois existence will not last for ever, but have expressed a determination to make it last for as long as possible. (As Schumpeter puts it: the profit system, “the most important pillar of the capitalist class’s position, is bound to crumble in time.” He denies the charge made by other bourgeois ideologists that this statement is defeatist: “The report that a given ship is sinking is not defeatist. Only the spirit in which the report is received can be defeatist: the crew can sit down and drink. But it can also rush to the pumps. If the men merely deny the report though it be carefully substantiated, then they are escapists . . . What normal man will refuse to defend his life merely because he is quite convinced that sooner or later he will have to die anyhow?” (“Capitalism, Socialism and Democracy.” Preface to 2nd Edition.)

Marx said that no mode of production disappears before all its possibilities have been exhausted. The bourgeoisie will certainly try to exhaust all the possibilities of market production before going.

Now, if “market socialism” actually was socialism it would mean that the social needs of the working class can find, at their highest level, an adequate expression in the form of market demand, and that these needs can be met through the market. It means that the collective interest of the working class can be adequately served by the conflict of private interests in production for the market.

And if market demand can be developed to give adequate expression to social need, there is no essential reason why capitalism should not evolve into socialism; there is no essential reason why the transition from capitalism to socialism should be a revolutionary development; and Bernstein was right after all and Lenin was wrong.

In this case revolution only becomes a necessity when a bourgeoisie becomes too backward to implement a bourgeois reformist policy. And the Marxists who join the bourgeoisie as Kautsky did, and as a host of social-democrats, trotskysts and modern revisionists have done since, and help them to develop the capacity for bourgeois reformism, are making at least as useful a contribution to the development of socialism as the Marxists, such as Lenin and Stalin and Mao, who develop policies which exploit the backwardness of the ruling class and enable the workers to overthrow them in revolution.

We must not, of course, be dogmatic about this. If market demand and private production for exchange are adequate vehicles for meeting the social requirements of the working class, then it would be sheer idealism to engage in developing a communist revolutionary movement against capitalism; the communists should follow the trotskysts into the Labour Parties and work at developing bourgeois reformism. In trying to merge the communist movement with social democracy the revisionists are consistently following out the implications of their “market socialism” theory.

In this pamphlet we have shown that the notion of “market socialism” is totally opposed to the views of Marx, Engels, Lenin and Stalin and we have shown that under “market socialism” the production process is carried on through a conflict of private interests. But if “life” has proved the feasibility of market socialism, and if “life” has proved that the attempt to produce directly for use fosters cumbersome, inefficient bureaucracy, (as the right wing bourgeois economist Von Mises has been maintaining for half a century) then it must be agreed that life has the final say in the matter.

If we want to look at the answer that life has given we must look at Yugoslavia. Market socialism has been in operation there for 20 years. In the late forties the Yugoslav “economic reforms” were launched on a wave of

phrase-mongering very similar to those on which the Russian and other reforms were launched 10 years later. One of the first actions of the Russian revisionists in the mid-50's was to establish "fraternal" relations with the Titoites and declare that they had always been true socialists. The view that Titoism had prevented the growth of socialism and had made Yugoslavia an imperialist neo-colony was denounced as a piece of Stalinist duplicity: Stalin had tried to disrupt the development of socialism in Yugoslavia in 1948-9, but in the face of great provocation the Titoites remained true to socialism. Khrushchev made it clear that he considered Titoism a pioneer of the new brand of socialism.

It is generally known that the actual effect of "market socialism" in Yugoslavia is a very high rate of unemployment, a very high rate of emigration, an aggravation of the town-country contradiction, and, as in Southern Ireland, an attempt to relieve the situation by attracting the investment of imperialist capital. "Unemployment was unknown in 1950 ... Since 1950 unemployment has risen steadily ... average of 67,000 or 0.8% ... in 1952, to 450,000 (7.1%) in 1966". "Since 1952, decentralisation and the new economic system have generally operated to the disadvantage of the backward areas," (F.E.I. Hamilton, Yugoslavia, p. 129 & 147).

Those are the admissions of a bourgeois economist who is an enthusiastic supporter of Titoism. Now for a market socialist: "despite substantial emigration, unemployment has been steadily rising in Yugoslavia – from 210,000 jobless in 1964 to 268,000 in 1967 and 344,000 in March 1968. These figures, however, do not cover all the unemployed in the cities, and do not include the hundreds of thousands in rural localities. In other words, the Yugoslav economy actually does not guarantee such a fundamental element of socialism as the right to work." (I. Kuzimov. International Affairs, Moscow, Jan. 1969)

So far from refuting Marx, life has abundantly confirmed Marx's analysis of the market, and of the severe limitations of market demand as a vehicle for expressing the social needs of the working class. (It should not be inferred from the article quoted that the Russian revisionists are now saying that Yugoslavia is 'not socialist. The article was not directed against Yugoslavia. It was one of the articles written to justify the invasion of Czechoslovakia and was directed against Sik. We have already mentioned the self-contradictions in which the ideologists of the invading countries have become involved in the attempt to represent the invasion as a defence of socialism in Czechoslovakia. However, the facts mentioned are indisputable.)

## PRICES OF PRODUCTION

"If you go to the Market, the Market-price is much to be observed." (Rev. Richard Baxter. Christian Politics. 1673. p. 121)

In capitalist production, prices of commodities are not a simple expression of their value. The fact that commodities are the products of capital, the law of an average rate of profit on invested capital, and the differing labour/constant capital ratios in different lines of production, give rise to "prices of production". The production price is made up of the cost of the labour and constant capital (raw material, depreciation of machinery etc.) actually used up in producing the commodities, plus an average rate of profit on the total invested capital necessary to the production process but not actually used up in a given batch of commodities. (If a certain machine costing £5,000 lasts for 5 years its depreciation will only be £1,000 a year. Only £1,000 of its value will be transferred to the commodities produced with its aid the first year. But the rate of profit must be measured over the whole £5,000)

Only labour power (variable capital) creates value. If the prices of each industry were a simple expression of value, industries with the highest labour content in their capital composition would always have higher than average rates of profit, while the industries with the lowest labour content (which tend to be the most technologically advanced industries) would always have lower than average rates of profit.

But the immediate purpose of production in the commodity system is profit, and no capitalist will (in the long run) be content with below average profits. The investment of capital follows the rate of profit. And from the competition of the various capitals there emerges a tendency for the rate of profit on invested capital (regardless of its labour/constant capital ratio: its "organic composition") to be averaged in all branches of socially necessary production. The total surplus value produced in a society tends to be shared out more or less equally between the competing capitals regardless of their organic composition. And this is done through prices of production, which are the actual prices through which the market operates.

“The whole difficulty arises from the fact that commodities are not exchanged simply as commodities, but as products of capitals, which claim participation in the total amount of surplus-value, proportional to their magnitude.” (Capital, Vol. 3, p. 172)

“So far as profits are concerned, the various capitalists are just so many stockholders in a stock company in which the shares of profit are uniformly divided per 100, so that profits differ in the case of individual capitalists only in accordance with the amount of capital invested by each in the aggregate enterprise, i.e., according to investment in social production as a whole, according to the number of his shares ... His cost prices are specific. But the profit added to them is independent of his particular sphere of production, by a simple average per 100 units invested” (ibid, p. 156/7). However the law of average profit “acts as a prevailing tendency only in a very complicate and approximate manner, at a never ascertainable average of ceaseless fluctuations.” (p. 159)

Prices of production and the law of average profit have always been viewed by orthodox Marxism as phenomena characterising not merely commodity production in general, but commodity production in its highest development – capitalist production. The view expressed in the textbook of the 1920s, *An Outline of Political Economy* (English edition, 1929) by I. Lapidus and K. Ostrovityanov (the same man who is now a prominent market socialist) was that “...it is obvious that in the Soviet system the law of the price of production does not operate” (p. 184). Until the advent of Titoism and Khrushchevism this view was not challenged in the Communist movement.

There are still many revisionists who balk at the idea of incorporating the average rate of profit and prices of production in their system. Since they accept the commodity basis of the system their objection to production prices and average profit must be put down to sheer petty-bourgeois sentimentality. A few seconds thought will show that these categories too must arise in market socialism. If commodities are sold simply at their values, then enterprises with a higher than average organic composition in their capital (a higher ratio of machinery to labour) will make lower than average profits. If more machinery and less labour than average is used in a certain line of production, then less than average surplus value (or “surplus product value” if the revisionists prefer that way of putting it) will accrue to a given investment in that line of production since it is only labour power that creates value. And this will mean that if products sell simply at their values the rate of profit will be lower in this line of production.

In the old system it mattered little that a certain enterprise, engaged in socially necessary production, was operating at a loss or at below average profit in money terms, since it was part of the national production plan. The enterprise is not responsible for its own capital investment on the basis of its own sales, and payment of staff was not geared to realised profit as at present. But in the “reformed” system it is completely irrational that an enterprise engaged in production which is meeting a demand should be compelled to realise lower than average profit due to the organic composition of its capital. And the only way that profits can be averaged is through prices of production. Sik as usual, blurts out the truth with the naive enthusiasm that horrifies his more cunning brethren:

“If we recognise the commodity character of production as one of the general features of a socialist economy, a new standpoint logically arises in regard to price as one of the basic categories of commodity production ... The initial price formation must be one which endeavours to harmonise the partial interests of groups of producers in a certain enterprise with the interests of consumers and through them with the interests of the whole society. This is a production price which covers the actual costs of production and average profit.” (The Problems of Commodity Relations in a Socialist Economy. 1964. p. 365)

The Russian revisionists now declare, four years after Sik made his views absolutely clear, that Sik’s position “amounts to switching the economy to a capitalist road” (Soviet News, 1.2.69 p. 51) So let us see how matters stand with Russian economists with respect to average profit and production prices.

When Liberman proposed that production efficiency should be measured by “only one index, profitability, instead of several indices of production costs”, (Kommunist 1956 No 1) he had committed himself to prices of production.

Only labour power creates value. But there are two ways in which the surplus produced by labour can be measured. Assume that £100 spent on wages creates £100 surplus. If the surplus is measured directly over labour costs the rate of the surplus here would be 100%. This is what Marx called the rate of surplus value.

But the capitalist will not measure his rate of profit in this way. He must also buy raw materials and instruments of production in order to be able to use the labour power he has bought. And he will measure the surplus of production over the total amount he has to invest to procure it, including the value-creating labour force with the non-value-creating constant capital. Assume, in the example given, that he has to spend £900 on machinery etc., in order to utilise the £100 worth of labour power. He will then measure his surplus over the combined cost of labour and constant capital, and the rate of the surplus will fall to 10%. This is the rate of profit. And it is the only rational measure of production efficiency in the market system.

Liberian proposed that profit should be measured in this way, and perfectly in accord with the logic of the commodity system in doing so. His critics in Russia took objection to this: "Cde. Liberman views this index (profit) as the ratio of net profit to the sum of current and fixed assets... This index, which is widely used in capitalist countries ...is neither more nor less than the rate of profit on invested capital ..." (I. Kasitskii: The Main Question. Voprosy Ekon. 1962 No. 11)

Another critic said that Liberman's "understanding of profitability and profit contradicts generally accepted theoretical concepts, according to which profit is the main part of the surplus product created by the workers' surplus labour. According to E. Liberman's conception, it seems that profit is created not only by the workers' labour but also by the fixed and current assets. It is hardly necessary to prove the erroneousness of such a "Theory" ...the author's ideas lead to the conclusion that the ...basis of price formation in a planned socialist economy should be the price of production, which is characteristic of the capitalist system of economy." (A. Zverev. Against Oversimplification. *ibid*)

Zverev's criticism was replied to by the late V. S. Nemchinov, one of the most influential and most double-faced of the revisionist economists. (He supported the Liberman reforms and, having been an influential economist since the 1920s, acted as an important element in reconciling the "conservatives" to them.) He replied: "A. Zverev said ...that ...we were reviving the capitalist category of the price of production. I am not in favour of using this category, but we must take account of value. It operates in our country ...Of course a single average rate of profit is unacceptable in our conditions. On the other hand ..." etc. etc. (Making Enterprises Interested In More Intensive Plans *ibid*)

Nemchinov waffled on in order to confuse the issue and to avoid a straight answer to the allegation that Liberman's rate of profit was measured in the same way as the capitalist rate of profit. In the second place he made use of the fact that the market system had not yet been sufficiently developed in Russia to compel recognition of the law of the average rate of profit, in order to pretend that the law of average profit would not emerge from the implementation of the reforms. Each step taken towards a functioning market system was declared by Nemchinov and his kind to be the final step. Sufficient unto the day is the evil thereof. They could rely on the implementation of each "reform" creating the conditions in which the next would appear eminently reasonable.

There can be no doubt that the competition of the various enterprises in the market, and the striving of each after maximum profit, must give rise to the law of average profit. Any attempt at compelling certain enterprises to operate at below average profits in the market system would merely lead to inefficiency. Profits must, in the long run, be more or less averaged in socially necessary production (production meeting market demand): and this can only be done through prices of production.

Liberman and Nemchinov hedged on the matter of production prices for political reasons. However, while their critics were absolutely correct in saying that Liberman's schemes measured profit in a capitalist manner and implied production prices, it must be said that the basis of their criticism was utterly sentimental. They, like Liberman, agreed with "commodity socialism". Unlike Liberman, they objected to where it was leading. They wanted to avoid the inevitable consequences of their position. They wanted "reform", but only a little bit. They could only have avoided sentimentality by challenging the whole basis of Khrushchevism.

Two years later L. Leontyev wrote: "An analysis of commodities as products of socialist production leaves no doubt that their prices must be fixed with due consideration to products' capital-output ratio or, as economists say, perhaps not very aptly, by their "price of production" formula. "The consideration of the capital-output ratio in price formation is an essential prerequisite for paid production assets." (The last phrase means that the capital investment of an enterprise should be covered by the sales of its products. In the "Stalinist" system investment in each

enterprise was seen to by the state out of the centralised investment fund: ICO<sup>1\*</sup>) “To recognise the need for paid production assets and reject the need for considering the capital-output ratio in prices is, to say the least, tantamount to manifesting inconsistency.” (The Plan and Methods of Economic Management: Pravda 7.9.64)

## NOVOZHILOV

So far we have been dealing with what might be called the light artillery of revisionist theory. And it must be said that it is pleasant and delightful to deal with the Libermans in comparison with the ponderous obscurantism of Novozhilov and Kantorovich, to whom we must now turn. Novozhilov’s “Cost Benefit Comparisons in A Socialist Economy” (1959. English translation in “The Use of Mathematics in Economics”, editors, V. Nemchinov and A. Nove 1964), once its lengthy circumlocutions are unravelled, it is found to be simply a hymn in praise of prices of production.

Novozhilov begins by pointing to a divergence between theory and practice in Russian economics. While the official view is that only labour creates value, in practice constant capital (or the scarcity of constant capital) is treated as a source of value.

“Nowadays scarcity is taken into account in the prices of the means of production ... The legalisation of scarcity as a factor in some sense increasing outlays made the problem of finding a theoretical basis for such calculations more urgent. It was one thing or the other: either some real labour outlays underlay the extra charge for scarcity, or such extra charge distorted the measurement of real costs. If the first was correct, then what was this outlay of labour ...? These are purely theoretical problems since in practice no hesitation is felt in taking scarcity as a factor which increases costs.” (p. 134)

From the fact that scarcity is charged for as if it were a labour outlay, and that this charge increases the efficiency of “socialist” market production, Novozhilov proceeds rigorously to a justification of prices of production. And he derived these prices of production, not from the capitalist organisation of production, but from the needs of the productive forces themselves after they reach a certain level of development: and at one point he even suggests that they derive from the “laws of mathematics”.

For about 100 pages the terms used are “standards of effectiveness” and “differential outlays”, and these are derived from everything under the sun except the relations of production; a particular social organisation of production. The similarity between these terms and certain capitalist ones is driven home, but they appear to be derived from causes that have nothing to do with the robber barons of capitalism. With great artistic skill Novozhilov builds up the atmosphere in which to make his revelation. Then:

“The reader will certainly have noticed that the standards of effectiveness ...are mathematically similar to the average rate of profit and land rent, and that differential outlay is similar to the price of production. This similarity is not merely accidental. It is explained by the fact that there is feedback between the outlays on different products in a capitalist economy which are spontaneously taken into account.” (p. 154)

He had previously explained that his constructions were designed to give a feedback of information on the effectiveness of production outlays. And, wonder of wonders!, it turns out that prices of production are not merely a means of sharing the loot between the robber barons of capitalism, but also have an economic function in production, which is identical with the function of “differential outlays.” And likewise with the rate of profit and “standards of effectiveness”. Therefore:

“It follows that the price of production is based not only in capitalist competition; it has yet another, and more solid basis,” i.e., the fact that commodities are produced not merely by labour but by the total invested capital. “This reveals the deep foundation of the price of production, a basis which exists not

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<sup>1</sup> \*The sentence between brackets is an oversimplification. Though the enterprise was definitely not an autonomous production and commercial unit, and investment was determined by the state, the arrangement was more complex than is indicated here. This matter, and the whole question of cost accounting, will be dealt with in detail in Part 3.

merely in a capitalist economy, but also in a communist one as well. For then both instruments of production and labour will enter materially in the actual labour process.” (p. 157)

“The price of production is a result of competition. But competition is engendered by the objective conditions of the social economy and therefore leads to socially important results”. (p. 157)

“...from the point of view of the capitalist, every rouble in invested capital must yield the same profit. From the point of view of society, every rouble of investment, taken separately, equally involves feedback outlay to the extent of the minimum effectiveness of the accepted variant of investments” (p. 158) The last sentence is the “socialist” way of saying what the previous one says in a capitalist way.

And, of course, market socialism purifies the price of production from the distortion which it suffers in a bourgeois economy: “The price of production is the first, and still very incomplete, expression of differential outlay... In a capitalist economy ...the development of the use of differential outlay is retrogressive: the growth of capitalist monopolies distorts the effect of competition, which is the force transforming value into price of production and imposing economy of outlay”. (p. 159). Socialism, by restoring market competition, frees the price of production from the distortions of imperialism and raises it to a higher level.

“This proposition is contrary to the generally-accepted interpretation of the price of production, but this is explained by the incompleteness of the characteristics of the basis of the price of production contained in the generally accepted expositions.” (p. 158)

We should pay close attention to the last remark. For many years Marxist economics underwent gross vulgarisation at the hands of the present revisionists while they were still part of the Communist movement. In order to convince us that they were against the capitalists they poured abuse on capitalism. In their hands Marxist economic theory degenerated into abusing capitalism. This certainly was not in response to a requirement of the working class movement. Any worker who would be likely to read this material would have no need to be told that he was oppressed and exploited by the capitalists.

The intellectuals carried on like that, we assume, to show (or hoodwink us) that they were on our side; and they were afraid that if they tried to do anything else they would expose their bourgeois natures. Be that as it may, they merely told us about capitalism what we knew a thousand times better than they did; that it exploited and oppressed us. This was accomplished by mystifications of the elements of political economy that they called “popularisations”.

One of the effects of this was that the economic functions of the categories of bourgeois exploitation were lost in the uncritical abuse that took the place of explanation. What are rent, interest and profit? Rent is the share of the plunder that goes to the wicked landlord; interest to the wicked financier, and profit to the wicked entrepreneur. And that was that.

Some of them now try to blame Stalin for these vulgarisations; others even suggest that Marx never got beyond them. And they, the “creative Marxists”, make the wonderful discovery that differential rent, besides enabling the landlord to live parasitically, has the economic function of ensuring that the better grades of land and the better situated industrial and commercial sites are used to the full; that interest discourages waste or delay in using capital; and that profit measures the relative efficiency of a production unit and stimulates efficiency. And this “discovery” of the economic functions of the categories of bourgeois production is used to justify their existence in a supposedly “socialist” mode of production.

Needless to say, Marx knew of the economic functions of these categories (as did Lenin and Stalin – and the knowledge was widespread in the Communist movement at one time). In fact, his primary concern in *Capital* was to analyse the economic function of these categories, and to show how the process of exploitation operated through them. Is it not one of the fundamental doctrines of Marxism that a form of exploitation can only maintain itself while it can serve as an economic vehicle for the expansion of the productive forces? The categories of exploitation, therefore, have economic functions: and it is only because of their economic functions that they can exist in society in the long run.

When orthodox Marxism reached the conclusion that rent, interest and profit would not exist in a socialist economy, it was certainly not because Marxism was unaware of the economic functions of rent, interest and profit. On the contrary, it was because Marx came to the conclusion that their economic functions would be exhausted and the economic process would be carried on more effectively without them. Marx, likewise, was at pains to explain the economic function of the price of production (or in bourgeois terms the “supply price”), and there was no need for Novozhilov to discover it.

## **SCHIZOPHRENIA**

The following observation on the behaviour of revisionist economists in Russia in connection with production prices was made by a revisionist economist: “What is most curious is that economists who verbally recognise the law of value in practice propose that prices be fixed on the basis of production cost (that is, without taking into account the full outlays expressed in value terms), while those who verbally reject the law of value propose to use as a basis for price formation the price of production, which is unthinkable without the law of value”. He remarks about the latter: “Naturally, since they cannot get along without value relations in their constructive work, they diffidently recognise the law of value while trying to find supplementary definitions such as “socialist value”... The chief point, however, is that no matter how much the authors wish to do without the law of value in working out the principles of price formation, they cannot do so without forsaking reality” (S. Pervushkin. The Law of Value and Prices. Planovoe Khoziastvo, 1961 No. 7).

It is understandable that such a division should occur: that economists who upheld the view that production prices and average profit operated should deny the operation of the law of value, while those who upheld the view that the law of value operated should deny that it led to production prices and average profit. If there had been general agreement that the law of value operated and led to market prices things would have been made too clear: and it is probable that many economists needed to deceive themselves as well as the public.

The economists who were dealing primarily with the practical problems of the “market socialist” economy could not fail to see the necessity for production prices. And they would feel less inhibited about developing a theory of market prices if they denied their derivation from the law of value, with its nasty bourgeois associations. On the other hand the ideologists whose primary task it was to establish that the law of value operated would be much happier in their work if they could deceive themselves and the public into believing that it did not lead to market prices. Because they were dealing primarily with ideological, rather than practical economic, matters they could put forward the irrational view that prices should express production costs.

(The difference between cost of production, as the term is used here, and price of production is that the former does not take total invested capital into account, but only used up capital. “Production cost” prices would obviously be irrational in a system of competitive enterprises which must secure their own capital accumulation out of sales. Some revisionists proposed that prices should include a rate of profit proportionate to their labour costs; others that the rate of profit should be proportionate to production costs. But in either case prices would operate against enterprises requiring above average proportions of fixed capital. Only a profit rate related to total invested capital, as in capitalist production, makes economic sense in “market socialism”).

This rift in revisionist economic theory reflected a division between practical economists and ideologists. It served the purpose of not making things too clear too soon. And the overall development of economic theory was controlled by individuals like Nemchinov who were perfectly conscious of what was happening.

## **COMPETITION AND PRICES**

In 1959 Strumilin (an eminent revisionist personage) wrote: “Under capitalist conditions ...as a result of bitter market competition between private capitalists, prices are levelled out spontaneously according to the so-called prices of production in which profit, depending upon the capital invested, tends to the uniform rate of profit, ... common to all lines of business. In a planned economy the law of the average rate of profit does not operate, owing to the absence of competition, and prices are fixed on the basis of costs of production” (On The Determination of Value. Voprosy Ekonomiki No. 8. 1959. Our emphasis).

“Absence of competition” is the crucial point, and absence of the need to secure capital accumulation out of sales. In a system of competing independent enterprises “cost of production” prices would be intolerable. But in 1959 the Russian economy was far from being an actual system of competing enterprises, though it was being systematically changed in that direction. Two years later S. Pervushkin, in the article quoted above, gave a very different explanation of production prices from Strumilin’s:

“Such economic categories as the general (average) rate of profit and the price of production arose not because of the subjective wishes of the capitalists but as the inevitable result of the development of the productive forces and, at the same time, as a necessary condition for the successful development of large scale machine production based on the division of labour. Such laws governing the development of the productive forces cannot be ignored in a socialist society. It must be remembered that under capitalism such a law could not manifest itself fully since the limits of private property and the striving for maximum profits hamper the manifestations of these processes ...”

Unlike Strumilin’s article of two years earlier, this article tries to blur the direct connection between commercial competition and production prices and the law of average profit. We are told that the striving for maximum profits hampers the operation of the law of average profit. Marx, however, explained that the law of average profit resulted from the striving for maximum profit on the part of each individual capitalist.

It will be recalled that Novozhilov held that capitalism, in its monopoly stage, hampered these laws by restricting competition. (In the writings of many revisionist economists monopoly capitalism is represented as a vicious non-competitive system. It looks like they’ve lost the use of their senses as well as their reason.) It would seem from Novozhilov’s account that it is the destiny of socialism to restore the competitive conditions of 19th century capitalism.

Novozhilov and Pervushkin both try to represent prices of production as a result of something much more profound than capitalist competition. They say that it results from a certain stage of technological development.

In what sense do production prices derive from the stage of technological development? In the sense that at a certain stage of the development of the productive forces the market system develops as the most effective method of securing the further development of the productive forces. The market system in its fullest development is the capitalist system. Certain economic categories arise out of market competition. Production prices are developed by market competition in its capitalist stage, (they are not necessary in the petty bourgeois stage of simple commodity production)

Production prices do not arise directly from a certain state of technology. They result from the exchange system to which a certain stage of technological development gives rise. When the system of production for exchange becomes a barrier to the further development of the productive forces, there can be no question of production prices retaining their economic validity. The attempt to justify the existence of production prices (capitalist market prices) in a socialist system by deriving them directly from technology is utter sophistry.

Lest there be any doubt about Marx’s view, we quote: “...the prices of production is an utterly external and prima facie meaningless form of the value of commodities, a form as it appears in competition, therefore in the mind of the vulgar capitalist, and consequently in that of the vulgar economist” (Volume 3 p. 194). Production prices result from capitalist competition.

### **DEVELOPING VALUE FROM A CONCEPT TO AN ACTUALITY**

Finally we will look at D. Kondrashev: “Prices are an important tool for creating a communist economy” (Finansy S.S.S.R. 1963, No. 4):

“The Party Program requires that prices reflect, to an ever increasing degree, the socially necessary expenditure of labour ...The opponents of the principle of bringing prices closer to value often tell us that in setting prices it is necessary to weigh “on the scale of reason” all the factors which require setting a price above or below value... This is an erroneous conception because it divorces price from its economic foundation – the expenditure of labour.”

The degree to which price is based on value “rises as socialist society develops. Consequently ...the fullest possible conformity between prices and value will be attained only when communism has been largely built. Prices will then be fixed by means of adding average outlays on production and the average rate of profitability.” “The former principle that prices should be close to production costs has been replaced by the principle of profitability of prices, so that profits will be large enough for reproduction on an enlarged scale of heavy industry.”

It is clear that by value Kondrashev means price of production. So it seems that capitalist market prices will reach their fullest development in the period of full communism! At least we can agree that capitalism is the logical product of the “economic reforms” of revisionism. With relation to Liberman’s proposals, Kondrashev made the most open and appropriate comment that appeared in the Russian revisionist press: a comment that would be worthy of the illustrious Sik himself:

“In the recent discussion in Pravda, E. Liberman suggested that the efficiency of an enterprise be evaluated by a single economic criterion – profit. This, however, would be possible only if profits were already an expression of the value of the surplus product created at each enterprise. Actually, however, the magnitude of profits at enterprises, in branches, sectors and divisions of social production at the present time differs considerably from the surplus product created in them. This problem must be solved step by step. This calls for a well thought out system of measures designed to level out profitability.”

In other words: profit could only be the most efficient measure of relative efficiency under actual market conditions. It was not simply a matter of using profit to measure production efficiency. It was a matter of establishing the category of profit as an effective economic category in order thereafter to allow it to operate. As we have already said, it was not simply a matter of freeing the market, but of rebuilding it in order to free it.

Kondrashev saw that the actual economic category of value (as distinct from the mere concept of value) needed to be reestablished in the Russian economy. As a result of the comprehensive direct planning in terms of material production developed in the Stalin period, the market category of value had suffered a serious decline. Value is the abstract form of labour, the labour which is measured in exchange, as distinct from the concrete forms of labour that produces definite use-values. Socialist planning, as envisaged by Marx and as applied in the Stalin period, organised the production of use values, therefore the conditions of existence of the economic category of value receded.

Value expresses socially necessary labour. Individual labour, which differs in intensity from one individual worker to the next, is averaged. The average intensity of labour, socially necessary labour, and hence value as an indirect measure of labour expenditure, are established in the actual cut and thrust of the market. Value is made homogeneous within a given market, and will be known through practice to capitalists operating in it.

“Some people might think that if the value of a commodity is determined by the quantity of labour spent on it, the more idle and unskilful the labourer, the more valuable would his commodity be, because more time would be required in its production. The labour, however, that forms the substance of value, is homogeneous human labour, expenditure of one uniform labour power.” (Capital, Volume 1 p. 39) “...the value of a commodity represents human labour in the abstract, the expenditure of human labour in general... It is the expenditure of simple labour power ...Simple average labour ...varies in character in different countries and at different times, but in a particular society it is given. Skilled labour counts only as simple labour intensified, or rather, as multiplied simple labour, a given quantity of skilled labour being considered equal to a greater quantity of simple labour. Experience shows that this reduction is constantly being made ...The different proportion in which different sorts of labour are reduced to unskilled labour as their standard, are established by a social process that goes on behind the backs of the producers, and, consequently, appears to be fixed by custom.” (p. 44)

In a society which has not yet developed a single centralised market, but includes a series of local markets, value will have something of a local character and may vary in some degree between localities. Revisionist Russia is reconstructing the market categories (which withered, they say under the influences of the “Stalin personality cult”). It is inevitable that, for a time, as Kondrashev observes, value should have a local character and should even vary from enterprise to enterprise. And if value is defective so will be the other market categories which derive from it. But gradually, as the market is reconstructed, value will acquire a general character throughout the society, the law

of value will be able to operate, profit will become an effective measure of relative efficiency on the basis of sound value categories, and when the “Communism” at which revisionism is aiming is finally reached, prices will have regained their power and their glory as capitalist market prices.

### **WHY PRICES OF PRODUCTION HAVE BECOME A PRACTICAL ISSUE**

In the first two volumes of Capital Marx assumes that prices are the simple money expression of the values of commodities. It is not until volume three that he deals with the consistent deviation of prices from value in the form of prices of production, which are based on an average rate of profit on the value of the total invested capital added to the value of the used-up capital. It might seem at first glance that the extensive treatment of production prices in volume III is a pedantic exercise in analysis; or what theology calls a work of supererogation, virtuous but not necessary. As with much of Marx’s analytical work, its practical relevance only emerges after the process he was analysing has undergone a period of development – which bears testimony to the profound scientific nature of his analytical work. It is only in the past decade that an extensive discussion on prices of production has been made necessary in economic practice.

The rate of profit could be an effective guide to relative efficiency only in a functioning market. Where the rate of profit is not the product of a functioning market it cannot be depended upon as an indicator of relative sufficiency. It may reflect all kinds of irrelevant factors. But the function of the rate of profit in the commodity system is not merely to “indicate” relative efficiency, but also to determine investment. So, if the rate of profit is defective as an “indicator”, it cannot be an effective guide to investment. If a relatively inefficient enterprise makes a high rate of profit due to accidental factors, matters will be made still worse by the higher rate of investment it will be able to afford. Investment will go in too great a proportion to inefficient enterprises or to lines of production where it is least required.

“Profits serve as a source of financing the capital outlays of the enterprise, increasing its current assets, forming an enterprise fund, and finally for meeting financial obligations to the state budget” (Kondrashev *ibid*). It is essential therefore that the rate of profit should give an accurate reflection of relative efficiency. To this end the category of profit should be improved by a “well thought-out system of measures”. Which brings us to the price of production.

In the development of capitalism out of feudalism economic practice preceded economic theory. Prices of production existed long before they were analysed by Marx. They developed spontaneously in the course of development of the market. But the same development cannot occur when capitalism is being redeveloped in a society in which there has been a considerable development of planned socialist production: where the economic process has been brought to a considerable extent under conscious social control. Political control of the economy rules out the spontaneous development of the market. Comprehensive planning must be demolished and the market must be reconstructed in a deliberate manner, through a “well thought-out system of measures.”

This means, with regard to prices, that an approximation to prices of production, which will distribute profits in proportion to invested capital, must in the first place be consciously worked out. And this means, furthermore that the case for prices of production must be argued. The economic intelligentsia must be persuaded of the need for them. In a sense, then, the theoretical reconstruction of capitalism must precede its actual reconstruction and provide a blueprint for it.

(The phase between the halting of the development of socialist production in the mid fifties and the coming into being of an operational market (which is now being reached in many revisionist societies) provides a wealth of material, from an analysis of which the anti-revisionist movement can deepen its understanding of the economic development. Up to the present, however, virtually no attempt has been made to analyse this material, with the result that the theoretical development of anti-revisionism, and therefore its practical development, has been seriously retarded.)

TO SUMMARISE: In a market system of competing independent enterprises which have to see to their own capital accumulation out of the profit made on the sale of their commodities, prices must be prices of production, capitalist market prices, which distribute profits in proportion to total invested capital. Profits distributed in proportion to either wages costs or the cost of wages and used up capital would lead to abnormally low rate of accumulation in the most technologically advanced industry.

(Some revisionists argue that “socialist prices” are designed to secure an average rate of accumulation, and not an average rate of profit. But this piece of trickery is so threadbare that we won’t waste time on it. It takes only a few seconds thought to see that an average rate of accumulation is precisely what is achieved by an average rate of profit on invested capital.)

The same conditions lead to “socialist prices of production” in market socialism which led Marx to say, of capitalist production, that “...all capitals have the tendency, regardless of the surplus-value produced by them, to realise the average profit, rather than their own surplus value in the price of their commodity, i.e. to realise prices of production” (Volume 3, p. 171)

**Note:** Before we leave this subject there is a little matter of giving credit where credit is due. The eminent British revisionist Maurice Dobb (whose behaviour we observed in part I) made his contribution to this question in “Political Economy And Capitalism”, 1937, where he wrote: “...all the most important postulates of the law of value have been concerned with the way entrepreneurs behave ...It is precisely this sphere about which no theory of value could tell one anything of major importance in a socialist economy” (320). But although the law of value is here excluded from socialist economy, “...an economic plan which distributes capital resources in the most productive manner will necessarily, owing to the limited development of the productive forces at any one time, produce a system of prices analogous to Marx’s “prices of production”. (p. 325) Although there will be no law of value, there will be capitalist market prices (or prices “analogous” to them). But the system of prices of production “will not be in a position of equilibrium”. In Dobb’s view socialist production would be aiming for an equilibrium position of “saturation”. “A socialist economy would clearly be ruled by the aim of augmenting its capital construction at a more or less rapid rate until “saturation point” of capital construction was reached – that is, until no further gain in productivity would result from using labour to embody itself as “stored-up labour”. “As this point is reached the “dispersion of prices away from their labour-values” (i.e. in the form of prices of production) “will tend to disappear. In this final position prices will tend to conform to labour-values” (p. 325).

Here the academic economist reveals the secret desires of his petty bourgeois soul. Socialist society will operate with capitalist market prices (though there will be no law of value) while the drive to expand the productive forces lasts. But eventually “saturation point” will be reached with regard to accumulation. In communist society the expansion of the productive forces will cease. In this static economic situation prices will become petty bourgeois. In this “final position” commodities will no longer behave as products of capital. Being free of the law of average profit, commodities will have a price that expresses their own individual values, as would be the case in a society of petty bourgeois producers. Thus the petty bourgeois heaven will arrive, the petty bourgeois will be freed of the oppression of capitalism, and commodities will be untangled from the complications of capital accumulation, when the “saturation point” of accumulation is reached through the development of socialism. Then there will open out the delirious prospect of an eternity of petty bourgeois stagnation!

Marx, of course, had no vision of an ultimate end to development: he was inspired by no yearning for a petty bourgeois “equilibrium”. When he demonstrated the need to bring the economic process under the conscious control of society, it was not with a view to bringing an end to the expansion of free human activity. Marx held out no prospect of prices which expressed “true values”, as against prices of production. He showed the limits of the market categories for securing the expansion of the productive forces. In his view socialism would not establish “true labour value”: it would put an end to value and all its manifestations and mystifications and establish direct control by society over the economic process.

Dobb, however, though he is a reactionary economist, is distinguished in his own particular way – as a reactionary economist. He was the first to develop economic reaction to this level of revisionism. He was the first pseudo-Marxist to open up the prospect of a socialist system operating with prices of production. He has numerous successors today (and in many of their writings similar petty bourgeois yearnings can be discerned). His successors do not seem to have paid tribute to his reactionary pioneering work in economic theory: so we have done so. Such efforts should not pass unnoticed.

#### **The history of MARKET SOCIALISM**

## HODGSKIN AND THOMPSON

The issue of market socialism versus collective socialism began in the first flush of the modern socialist movement of the industrial working class in Britain in the 1820s. Subsequent controversies between Marxism and varieties of market socialism expressed a struggle between a bourgeois line and the working class line in the working class movement. But the difference between Thomas Hodgskin and William Thompson in the 1820s was a difference between two of the foremost socialists of the day, neither of whom had arrived at a comprehensive scientific analysis of capitalism. Both of the parties to this controversy in pre-Marxist socialism made partial contributions to the development of scientific socialism, and the contributions of these forerunners of Marxism were acknowledged by Marx (Both belonged to the school of “Ricardian socialism”: of economists who drew socialist conclusions from the work of the great bourgeois economist, David Ricardo, who carried the analysis of capitalism on the basis of the labour theory of value to the highest development which it reached within the bourgeois world outlook.)

In *Labour Defended* (1825) Hodgskin asked how the products of labour should be distributed after the privileged capitalist class was overthrown. And he answered:

“If all kinds of labour were perfectly free, if no unfounded prejudice invested some parts, and perhaps the least useful, of the social task with great honour while other parts are very improperly branded with disgrace, there would be no difficulty on this point and the wages of individual labour would be justly settled by what Dr. Smith calls the “higgling of the market”. (1922 edition, p. 86)

William Thompson, the Country Cork socialist, replied to this argument in his book *Labour Rewarded* (1827). The substance of Hodgskin’s view was that, freed from the privileged class of capitalists, the market would serve socialism. Thompson replied:

“But a might obstacle here presents itself. Is not the Competitive System itself an insurmountable bar to this perfect freedom of labour and to this equal diffusion of knowledge?” (p. 5)

“A sorry exchange the productive classes would make – an exchange of masters only – pampering a new host of swaggerers, with their varied-coloured merits in their bonnets, instead of the old stupid herd of capitalists. The game of the ins and the outs has been too often played by unprincipled politicians on the productive classes. They will not be fooled with the same game between wit and genius, and capital; capital, the outs, wit or genius the ins.

By means of the spirit of competition, and by means of the rewards of competition, all the superior talents that may spring up amongst the industrious classes, are to be allowed into the ranks of the mingled aristocracy of force and chicane, the feudal, and the moneyed or capitalist. Of what avail to the industrious classes though the capitalist aristocracy were put down, supposing for a moment that such an operation were practicable under the system of labour by individual competition; what would be the gain to the industrious classes if mental labourers, under the name of men of merit, supplied their places, and reaped those prizes which capitalists now enjoy, or rather possess?...But this contest between men of merit and capitalists, both admirers of the system of competition, cannot last; though an occasional mental labourer may raise the cry of war against capital. No, no; the old feudal aristocracy, the genuine sons of force, become cunning if not wise, will not only continue to buy off, by sharing their prizes with, the capitalists, but will also enlist into their coalition against the industrious classes, all those of commanding talent amongst them whom they can imbue with the spirit of competition ...” (p. 9-10)

“It is not the differences of production of different labourers, but the complicated system of exchange of those productions when made, that gives rise to that frightful inequality of wealth with all its train of physical and social evils. How strange then that the “Labourer” ...should be sent off to the mere “higgling of the market”, the Regulation of Exchanges.” (p. 12)

“...the springs of this higgling will always be kept in the hands of the adepts, and they will be so regulated, that prizes there will still be, and those prizes will fall into the hands of the most skilful in the higgling exchanges of competition; and, therefore, in nine cases out of ten, into the hands of the least benevolent.” (p. 36)

“The pleasures of competition, founded on the inferiority of comforts, of intelligence, or of moral qualities of others, are fenced round with envies, jealousies, ill-will, suspicions, and dread of ill offices from all around; and could never be approved as useful motives to human exertion ...” (p. 65)

“Labourers ... must acquire knowledge to regulate their labour on a large united scale, before they will be able to do more than dream of enjoying the whole products of their labour. Added to knowledge, the Industrious Classes must also acquire power, the whole power of the social machine in their own hands, in order to render their knowledge available on a national scale, and with immediate effect, for promoting the impartial and equal happiness of all.” (p. 73)

“The Competitive Political Economist” (Sik and Liberman today!) “feels that the strongest motive... is the desire of acquiring more than others.” (p. 99)

It is reported that Mr. Liu Shao-chi, before he was got rid of, told a group of Chinese workers who were about to go on a delegation to the Soviet Union that they should not be surprised or shocked at seeing great differences in wealth there. If some people had luxurious villas, big cars, mink coats etc., while the majority had small flats, no cars and no minks, that was because the former were better workers; not because they were bourgeois. It must be agreed that Thompson had a remarkably penetrating insight into the nature of market socialism 150 years ago.

His point that the working class cannot emancipate itself within the market system, merely by modifying the market system, is undoubtedly correct. The best that could happen within the competitive system is that the most ambitious, cunning, and lucky individuals in the working class would be enabled to claw their way into the exploiting class. If in a given society a severe crisis led to the elimination of the existing bourgeoisie, the continuance of the market system would generate a fresh bourgeoisie out of the masses. Exploitation cannot be eliminated within the competitive system: it can only be eliminated by communism.

(It is interesting to note the advocate of competitive socialism, Hodgskin, quickly turned into a bourgeois liberal when the socialist movement suffered its first setback, while Thompson remained a communist. The communist movement predates Marxism. Marx was a communist before he was a Marxist. He put communism on a scientific basis. But the difference between the communist and socialist movements was already established when Marx joined the movement, and one of the essential points of difference was competitive versus collective socialism. If the market socialists are right, it would seem that Marx joined the wrong movement!)

## **JOHN GRAY**

In “The Social System: A Treatise on the Principle of Exchanges” (1831) Gray dealt with the problem of demand failing to keep pace with production, and the resulting crisis of overproduction. He wrote:

“...it would be by no means difficult to place the commercial affairs of society upon such a footing, that production should become the uniform and never failing cause of demand ... that to sell for money may be rendered, at all times, precisely as easy as it now is to buy with money...”

“...produce ad infinitum and I will find you a market ad infinitum” (p. 16-17)

“To be able to exchange is ... as important as it was for Robinson Crusoe to be able to produce.” “To this hour there has never existed a rational system of exchanges, or a proper instrument for effecting exchanges”. But he has discovered a device which will bring about the “instant power of exchanging” (p. 18-19)

“I will show you how produce, in quantities without any known or conceivable limit, may be disposed of ... at all times, in a single hour, and without the chance of the time ever arriving when there can by any possibility, be a market overstocked, or demand be overtaken by production.” (p. 22)

Gray’s scheme is that a system of “national warehouses” should be set up, and that commodities should be taken direct from the factory to these warehouses, the seller receiving a certificate stating the value of the goods they have

deposited. The price of the commodities would be established by adding the cost of the materials and labour expended on them (their “direct cost”) and a rate of profit to cover “rent, interest of capital, management, salaries, depreciation of stock, incidents, and all national charges.”

The certificates of value would be issued by a National Bank (which would also keep the national accounts). These certificates or receipts would “enable the holder of it to re-obtain the value that was given for it, whenever he pleases, and in whatever shape he may require.” (p. 63)

“The national banker should receive and take charge of every description of valuable, and give back any description of valuable in its stead.” (p. 68)

“Upon this plan it will be evident, that, as the nominal or money price of all the property in stock would be entirely made up of the money issued by the Bank to the respective members of the social community, the quantity of money in circulation would at all times be exactly equivalent to the nominal value or money value of the property in store. Money ...would increase as produce should be increased;...and demand would ever keep pace with production.” (p. 66)

Society would then be like “one large manufacturing and mercantile establishment, the bank being its counting-house.” (p. 68). The scheme was to be put into operation by the capitalists and landowners putting their property under the control of a National Commercial Association, which would pay them a dividend proportional to the property contributed. But accumulation would take the form of “national capital”, and as this progressed the dividends of those who contributed the original capital of the Association would diminish proportionately; in time they may be bought out entirely. “The day may come when the business of every nation will be conducted upon the basis of a national capital.” (p. 171)

Each enterprise would then operate with a portion of the national capital, producing commodities with it and instantly realising their value by depositing them in the national warehouses. This instant realisation of the total value of production would ensure that demand kept pace with production’ that production directly, instantly, and with no wastage, created its own demand.

Gray’s new money would not itself be a commodity. It would be a means of realising directly and immediately the value of commodities. He held it to be a major flaw in the existing system that money itself was a commodity.

In the Critique of Political Economy (1859), Marx wrote:

“Why does exchange value develop into price? Why do all commodities have their values estimated in one exclusive commodity, which is transformed into the adequate existence of exchange value, into money? This was the problem that Gray had to solve. Instead of solving it, he imagines that commodities can have an immediate relation to one another as products of social labour. They can however, only have a relation to one another as what they are. Commodities are, immediately, products of isolated, independent, private pieces of labour which must be sanctioned as general social labour by their alienation in the process of private exchange, or labour on the basis of commodity production only becomes social labour by the all-round alienation of the individual pieces of work. But if Gray substitutes the labour time contained in the commodities as immediately social, then he substitutes it as social labour or the labour time of directly associated individuals. Thus, in fact, a specific commodity, like gold or silver, would not be able to be contrasted with other commodities as incarnations of general labour, exchange value would not become price, neither would use value become exchange value, the product would not become a commodity and so the basis of bourgeois production would be done away with. But this is by no means Gray’s opinion. Products are to be produced as commodities, but not to be exchanged as commodities.”

“Gray hands over to the national bank the execution of this pious wish. On the one hand, society in the form of the bank makes the individuals dependent on the conditions of private exchange, and, on the other hand, society makes them continue to produce on the basis of private exchange. Inner logic meanwhile drives Gray to remove one condition of bourgeois production after another, although he only wants to ‘reform’ money arising out of commodity exchange. Thus he converts capital into national capital, landed property into national property, and if the bank is examined closely it will be found that it does not merely

receive commodities with the one hand and with the other give out certificates of labour supplied, but that it regulates production as well.”

“The dogma that a commodity is immediately money, or that the particular labour of the private individual contained in it is immediately social labour, naturally does not become true by the bank believing it and operating according to it.” (p. 104-6)

It would be useful to make a detailed comparison of Gray’s scheme with modern market socialist schemes, but we cannot embark on that here. Marx’s criticisms are exceptionally relevant to current market socialist theory. He shows that Gray is suspended between two systems of production, and points out that the labour in commodities cannot be directly social (“immediately social”); that value cannot be assessed bureaucratically; that the actual value of commodities can only be established by actual competition, by actual market exchange (“all-round alienation”); and that commodities can “only have a relation to one another as what they are immediately” i.e., products of private, isolated labour, whose actual social value must be established by the market.

Some modern revisionist schemes, like Gray’s, require the bureaucratic calculation of value without actual market exchange. In these schemes, (put forward where the situation is not yet ripe for an actual functioning market), the market is represented as having a merely formal existence, its function being merely to confirm the accuracy of the bureaucratic calculation of value. Marx rejected this notion as a fantasy, seeing the only real alternatives as an actual market system (capitalism), and a system of producing use values directly for social use (socialism, developing into communism). Developments since Tito’s break with communism in 1948 have amply confirmed Marx’s view.

## **PROUDHON**

P.J. Proudhon’s The Philosophy of Misery, or, The System Of Economical Contradictions (1846) contains a long section on competition which attempts to show that, because the aims of communism are hostile to competition, communism is Utopian, that it is merely a dream. (We quote from the English edition of 1888):

“...competition is as essential to labour as division, since it is division itself returning in another form, or rather, raised to its second power ... Competition, in a word, is liberty in division and in all the divided parts ... (p. 223). Competition is “a principle of social economy, a decree of destiny, a necessity of the human soul ...” (p. 229) “Man rouses from his idleness only when want fills him with anxiety; and the surest way to extinguish his genius ... is to take away from him all hope of profit and of the social distinction which results from it ...” (p. 234) “...competition on its useful side, should be universal and carried to its maximum of intensity...” (p. 251).

“Can competition in labour be abolished? It would be as well worth while to ask if personality, liberty, individual responsibility can be suppressed ...” (p. 258) “...there can be no question of destroying competition, as impossible as to destroy liberty; the problem is to find its equilibrium, I would willingly say its police ...” (p. 261).

“They (the communists) say: emulation is not competition”. But “Emulation is nothing but competition itself ... There is no emulation without an object, just as there is no passional initiative without an object; and as the object of every passion is necessarily analogous to the passion itself, – woman to the lover, gold to the miser, a crown to the poet, – so the object of industrial emulation is necessarily profit ... Why substitute for the immediate object of emulation, which ... is personal welfare, that far-away and almost metaphysical motive called general welfare, especially when the latter is nothing without the former and can result only from the former? ...”

“...my sole reply to him (the communist) shall be: In denying competition, you abandon the thesis; henceforth you have no place in the discussion. The question is the solution of the problem of competition, – that is the reconciliation of egoism with social necessities: spare us your moralities.” (p. 225-6)

“But if they (the communists) now fall back upon the hypothesis of a transformation of our nature, unprecedented in history ... it is nothing more than a dream, ... a contradiction given to the most certain laws of economic science; and my only reply is to exclude it from the discussion.” (p. 228) “Man may love his

fellow well enough to die for him; he does not love him well enough to work for him”. Because of its hostility to competition “Communism is the very denial of society in its foundation,” and the communists are “incessantly confounding matters of reason with those of sentiment.” (p. 283)

The above might have been written by that great and fearless Marxist, Ota Sik himself. But let us see how the unrepentant Communist, Karl Marx replied to the Philosophy Of Misery in The Misery of Philosophy (1848); and we will see the aptness of his reply to the present-day philosophies of misery: the solemn, longfaced, mournful and miserable ideologists of market socialism.

“M. Proudhon begins by defending the eternal necessity of competition against those who wish to replace it by emulation... Competition is emulation with a view to profit. Is industrial emulation necessarily emulation with a view to profit, that is, competition? M. Proudhon proves it by affirming it.” (p. 163)

“If the immediate object of the lover is the woman, the immediate object of industrial emulation is the product and not the profit.

“Competition is not industrial emulation, it is commercial emulation. In our time industrial emulation exists only in view of commerce. There are even phases in the economic life of modern nations when everybody is seized with a sort of craze for making profit without producing. This speculation craze, which recurs periodically, lays bare the true character of competition, which seeks to escape the need for industrial emulation” (p. 165).

The distinction between competition and emulation is of crucial importance. “Competition is not industrial emulation, it is commercial emulation.” “The immediate object of industrial emulation is the product and not the profit”.

This distinction between competition and emulation is blurred by all varieties of opportunism. It is easy to see why the revisionists should wish to blur it so as to make competition appear as a category of production as such instead of being merely a category of the commercial system. On the other hand there are anti-Stalinist “anti-revisionists” who represent Stakhanovism, for example, as a system of competition instead of industrial emulation. Thus, both revisionism and petty-bourgeois Utopianism blur this vital distinction. But it is clear that industrial emulation, in which the object is the product, is entirely different from, and of infinitely more significance in the development of the productive forces than, competition, whose object is profit made on the sale of the product.

As for Proudhon’s “good and bad sides of competition”, which recurs in modern revisionism, and the notion that what is required is to abolish the bad side of competition, while maintaining and developing its good side:

“They all want competition without the lethal effects of competition. They all want the impossible, namely, the conditions of bourgeois existence without the necessary consequences of those conditions” (p. 213).

The “bad side” is an integral part of the competitive relationship. There is no possibility of retaining the competitive relationship while eliminating its “bad side”.

Proudhon saw it as “a necessity of the human soul” that only the competitive struggle for profit roused man from an innate tendency to idleness and stagnation.

This notion also recurs as a fundamental part of the political economy of modern revisionism. The effect of the bourgeois system on human nature is represented as cause of the bourgeois (or market socialist) system in human nature.

Marx commented:

“...the bourgeois man is to them the only possible basis of every society; they cannot imagine a society in which men have ceased to be bourgeois” (213). “M. Proudhon does not know that all history is nothing but a continuous transformation of human nature.” (p. 165).

## **DÜHRING**

In his *Cursus Der National – Und Socialoekonomie* (1873) Dühring, in opposition to the “collectivism” or communism of Marx proposed a scheme for a system of “economic communes”. The socialist system would be based on these communes. In *Anti-Dühring*, Engels subjected the scheme to a close analysis. The whole of this analysis is exceptionally relevant to the question of market socialism. Here we will only take up the essential point: the basis on which products are distributed – which is: “Labour...is here offered against other labour on the basis of equal valuation”. Engels comments:

“The ‘exchange of labour on the principle of equal value’ in so far as it has any meaning, that is to say, the exchangeability against each other of product of equal social, labour, that is to say, the law of value, is precisely the fundamental law of commodity production, hence also of its highest form, capitalist production...By elevating this law into the basic law of his economic commune, and demanding that the commune should apply it with full consciousness, Herr Dühring makes the basic law of existing society into the basic law of his imaginary society. He wants existing society without its abuses. Like Proudhon, he wants to abolish the abuses which have arisen out of the evolution of commodity production into capitalist production, by applying to them the basic law of commodity production, precisely to the effects of which these abuses are due. Like Proudhon, Herr Dühring wants to abolish the real consequences of the law of value by means of imaginary ones.” (p. 343)

The modern revisionists repeat Dühring’s position, using even the same words. Dühring wanted to “apply the law of value with full consciousness”. The modern revisionists do not only say that this should be done: they are actually doing it.

(None of Dühring’s works have been translated into English. The section on commodity socialism quoted by Engels occurs on p. 377-400 of the German edition.)

Lenin and Stalin accounted for the continuance of commodity production in the Soviet economy by the necessities imposed by the building of socialism in a backward and ruined economy, not by any “commodity socialism” deceptions. Stalin wrote in *Economic Problems*: “Criticising Dühring’s ‘economic commune’, which functions in the conditions of commodity circulation, Engels, in his *Anti-Dühring*, convincingly shows that the existence of commodity circulation was inevitably bound to lead Dühring’s so-called ‘economic communes’ to the regeneration of capitalism. Comrades Sanina and Venzher evidently do not agree with this. All the worse for them. But we, Marxists, adhere to the Marxist view that the transition from socialism to communism and the communist principle of distribution of products according to needs preclude all commodity exchange, and, hence, preclude the conversion of products into commodities and, with it, their conversion into value” (p. 39).

## **THE HISTORY OF KHRUSHCHEVITE MARKET SOCIALISM**

The development of communism inevitably occurs through a continuous struggle between revolutionary Marxism and revisionism. As the general Marxist view of society becomes increasingly accepted in the working class movement, bourgeois opposition to revolutionary working class politics is decreasingly expressed as open opposition to Marxism. Bourgeois politics begins to operate under the name of Marxism and take the form of revisionism. As Lenin put it:

“An ever subtler falsification of Marxism, an ever subtler presentation of anti-materialist doctrines under the guise of Marxism – this is the characteristic feature of modern revisionism in political economy” (*Materialism and Empirio-Criticism* Chapter 6 section 2).

The successors of Proudhon and Dühring no longer attack Marxism: they revise it. Market socialism takes on a “Marxist” appearance. In this section we will trace briefly the history of “Marxist” market socialism in the C.P.S.U. prior to the death of Stalin. The “anti-revisionist” Stalin-critics never tire of uttering the platitude that revisionism must have existed in the CPSU prior to the death of Stalin. In some way that they can never quite explain they believe once this is admitted it follows that Stalin facilitated the development of revisionism. Elementary logic is not the strong point of the Stalin-critics. Neither is concrete investigation. They have never attempted to trace the actual development of revisionism in the CPSU in the period 1936-53: the period of “Stalin’s errors”.

In the 30 years between the death of Lenin and the death of Stalin revisionism in the CPSU went through three definite phases of development: Trotskyism in the mid-twenties; Bukharinism in the late twenties; and the development that ultimately took the form of Khrushchevism. The eminent representative of the latter in Stalin's lifetime was N. Voznesensky.

The struggle against Trotskyism was led by Stalin and took the form of an open theoretical struggle in the Party and the Comintern and the public press between 1924 and 1928. A considerable amount of relevant material is available in English translations of Stalin's and Trotsky's writings. The issue of market socialism was not central to this struggle. Trotsky, however, belongs to the ranks of the market socialists. He joined them with his pamphlet, *Soviet Economy In Danger* (1933), in which he made the categorical statement that, "Economic accounting is unthinkable without market relations".

The struggle against Bukharinism in the late twenties was also led by Stalin. The main document is Stalin's *The Right Deviation In the CPSU (B)*. Theoretically, this struggle was much less conclusive than the struggle against Trotskyism. The main reason for this is that Bukharin, learning from the total political rout of Trotskyism, decided not to fight out the issue openly to a conclusion. After the opening shots had been fired he made a hypocritical self-criticism and set about developing his position subversively. The western bourgeoisie now openly acknowledge that the bourgeois interest owes a great debt to Bukharin. (And last year British Trotskyists were loudly demanding his rehabilitation as a socialist while admitting that if his political line had triumphed it would have led to the restoration of capitalism! See Newsletter, 8.6.1968)

Market socialism was an issue in the struggle against Bukharin. But it was a form of market socialism that related to the Soviet Union in the period before industrialisation and collectivisation. Ten years later a much more sophisticated development of market socialism began which met the needs of revisionism in the period of industrialisation and collectivisation.

### **THE 1943 ARTICLE:**

An article on Teaching Economics In The Soviet Union was published in the magazine Under the Banner of Marxism (Nos. 7-8) in 1943. No author was given: the editor was A. Leontiev. (We quote from a translation given in the *American Economic Review* in September 1944) In this article, which purports to investigate the economy laws of socialism, we find out old friends (then very new), the commodity with the socialist nature, and the transformed law of value. As far as we know, this was their first public appearance:

"...the law of value under socialism is not abrogated but continues to exist, although it functions under different conditions, in a different environment and, when compared with capitalism, reveals most radical differences"... "cost accounting, which is based on the conscious use of the law of value, is an indispensable method for the planned leadership of economy under socialism."

"In socialist society the product of labour is a commodity; it has use value and value. This means that labour in socialist society has two aspects; on the one hand, concrete labour producing use values, and on the other hand, abstract labour, a definite portion of the aggregate labour expended on social production. But, this dual character of labour is no longer linked with the contradiction between private and social labour which is characteristic of commodity production on the basis of private property."

"The commodity which is the product of socialist production no longer contains those contradictions which are inseparable from the commodity as a product of both small-scale commodity production and capitalist production, that is the contradiction between use value and value, between private and social labour. In other words, it is no longer the bearer of those contradictions which, in their further development, inevitably lead to the rise of capitalist exploitation, crises etc. Thus we see that there is no basis for considering that the law of value is abrogated in the socialist system of national economy. On the contrary, it functions under socialism in a transformed manner... Under socialism it acts as a law consciously applied by the Soviet state."

The writer does not go into the question of how the commodity, which Marx showed to be a product of private production for sale, is the form taken by the product in socialist production.

It does not appear that any controversy developed out of the publication of this article, which clearly represents revisionism at a high level of development and in an influential position in the CPSU. But there is nothing remarkable about that. The main forces of the bourgeois counter-revolution were not mustering behind this particular banner in 1943, but in the fascist armies. But the article shows clearly the form that was being taken by the highest development of revisionism.

After the publication of the article in the American Economic Review a brief discussion on it developed there. Raya Dunayevskaya disagreed with the view that the law of value operates in a socialist economy. But Lange (then in the employment of the United States government), rallied to the defence of his colleagues in Russia: "Miss Dunayevskaya is entirely mistaken when she maintains that the Marxian law of value entails the concepts of surplus value and exploited labour. It seems that Miss Dunayevskaya fails to distinguish between two entirely different Marxian concepts, i.e. commodity production and capitalist production. The latter is only a special case of the first, not equivalent to it". (Amer. Econ. Rev. March 1945). But as we have seen, it was Marx's view that capitalism was not merely a "special case" but its highest development. Capitalism is "equivalent to" commodity production when the latter is the general form of production in a society. And the law of value at its fullest development does entail surplus value and exploited labour, according to Marx and Engels.

(Despite Miss Dunayevskaya's objection to the "socialist law of value" in 1944, she cannot be considered a Marxist critic of modern revisionism. This isolated correct point came from a Trotskyist position. It did not follow from Trotsky's position since Trotsky declared efficient production to be "unthinkable" outside the market. Miss Dunayevskaya's statement is of interest mainly because of Lange's reply to it.)

#### **VOZNESENSKY:**

Voznesensky's War Economy Of The USSR was published in 1948. Like the 1943 article it stated that:

"The commodity in socialist society is free of the conflict between its value and use-value so characteristic of commodity-capitalist society where it springs from private ownership of the means of production" (p. 97). "the law of value as transformed in Soviet economy" (p. 116). "The state plan in the Soviet economic system makes use of the law of value to set the necessary proportions in the production and distribution of social labour and the social product ... The law of value operates not only in the production, but also in the exchange of products ... The law of value operates not only in the distribution of products, but also in the distribution of labour itself among the various branches of the Soviet Union's national economy" (p. 116-8). But because of its "transformed" nature it does not give rise to the contradictions of capitalism.

Voznesensky was not an academic economist. He was chairman of the State Planning Commission and was therefore in a position to take action to expand the operations of his "transformed" law of value in the Soviet economy. He instituted an "economic reform" in the Leningrad area designed to bring industrial production increasingly within the ("transformed") market. The price system had to be changed accordingly. The policy of allocating subsidies to enterprises in accordance with a scale of social priorities was eliminated since it conflicted with the law of value. In order to eliminate subsidies there was general increase in prices. The system of direct material planning of production was replaced by a system of indirect financial "planning".

Among Voznesensky's ablest supporters in the Leningrad economic reforms of 1948-9 was ... Kosygin.

The significance of these developments was not lost on the bourgeoisie. In March 1950 the Economic Journal carried an article on the reforms (Soviet Planning And The Price Mechanism By M. Kaser), which said: "The conclusion may ... be advanced that the planning authorities in the Soviet Union have decided to make a fuller use of the price mechanism as an integral feature of their economic planning ... This surely is a lesson which Western "planners" would do well to note". The bourgeoisie was definitely pleased by the event.

But things did not go smoothly for the reformers. Kosygin was removed from his position as Minister of Finance. In March 1949 Voznesensky was stripped of all his official positions. In July 1950 he was executed. The life he gave to the market was killed. The subsidy system was restored. Retail prices were lowered. Direct planning was resumed.

(Voznesensky was “rehabilitated” by Khrushchev in 1956. In 1963 a biography of him was published in Moscow. A tribute was paid to him in an article by G. Sorokin in *Voprosy Ekonomiki* 1963, No. 12. As Sorokin said: “Of great interest are Voznesensky’s propositions on the function of the law of value, to retail pricing, or to profit-and-loss accounting in a socialist economy”. Sorokin also revealed that, “When Voznesensky was arrested in March 1949 he was composing a theoretical exposition of his economics: his Political Economy Of Communism, which he called his credo as a communist and as a scholar”: a creative treatise on Market Communism no doubt.

### **KANTOROVICH:**

Kantorovich’s *The Best Use Of Economic Resources* was published in 1959. This work begins by posing certain problems of economic technique but proceeds to generalisations in the sphere of political economy. Rent, interest, and profit make their appearance, and so do market prices, under the guise of “objectively determined valuations”. This was one of the first substantial works of revisionist economic theory (Lieberman’s article here flimsy and transparent by comparison). The significant thing is that it was not a sudden product of the 20th Congress, but had been in the process of development since the late thirties. Kantorovich writes in the preface: “The present author wrote a study on the Mathematical Methods Of Organising And Planning (Leningrad University, 1939) arising from work on production problems in 1938-9. It set out a method for finding the solution of technical and economic problems, such as the least wasteful allocation of work to machines, the cutting of material with the minimum loss, and the distribution of loads over several means of transport. These investigations were continued in 1940-4 and 1948-50 ... Soon after this work began it became clear that the methods being developed could find a larger field of application to general problems in economic accounting and planning.”

Kantorovich’s work in the late thirties was done for the Leningrad Plywood Trust. He was commissioned to work out the efficient combinations in which to use a certain range of machine tool of various qualities. And “it became clear”, as he puts it, that the method he used to solve this problem could be applied to the general problems of planning the economy: it provided an automatic method for determining investment.

When Kantorovich was commissioned to do this work Voznesensky was head of the Leningrad Planning Commission, and it appears that Voznesensky appreciated the significance of Kantorovich’s views for the development of a sophisticated form of market socialism and enabled him to carry on a discreet propaganda in favour of them in influential economic circles in the 1940s. The 1939 article is now constantly referred to as a milestone in the development of market socialist political economy. In the forties, however, when discretion was the better part of valour for bourgeois tendencies in the Soviet Union, it was modestly represented as a specialist work on economic technique.

Its significance was that it provided an apparently socialist alternative to political working class control of a socialist economy, in the form of an automatic method of determining investment. The problem of the overall development of the economy, a social matter, was represented as being of a kind with the problem of finding the most effective combinations in which to use a range of machines of different quality to do a certain piece of work. Economic technique was to replace political economy, and class questions were thereby to be excluded from economics. This was not said publicly in 1939, but it was clear that it was understood in certain circles.

We showed in Part I the exceptional relevance of Stalin’s defence of political economy and of his clear distinction between political economy and economic policy (in *Economic Problems*) to the confusion that was being generated by Dobb, Lange and others. But it is now clear that it was directed primarily against the Voznesensky-Kantorovich-Kosygin tendency.

### **LIBERMAN:**

Though the Soviet reforms are often referred to as the “Lieberman reform”, we have expressed the view that Nemchinov was the controlling influence. Lieberman suddenly sprang into the limelight in the mid fifties. He dealt with no fundamental theoretical matters. His articles were limited, flimsy and superficial. His writings, unlike those

of Novozhilov or Kantorovich, were naive and uncomplicated, obviously serving a purpose of the moment and having no contribution to make to the more complex problems of the long-term development of revisionist economics.

Nemchinov, on the other hand, had a long history as a communist economist; he was highly conscious of the developments that were taking place and of their long term implications; he knew what needed to be said clearly at any given moment, and also what needed to be said obscurely and what needed to be left unsaid for the time being. Nemchinov was the politician among the revisionist economists, being more concerned with the intelligent exercise of power than with immediate personal fame. Whereas many others, with a comparatively naïve enthusiasm for publicly working out the implications of the vision revealed by Khrushchev, said all that they knew in the way of economic theory, Nemchinov, like a proper bourgeois economist politician, knew more than he said.

This assessment of Nemchinov and Liberman, made on the basis of their writings available in English, is confirmed in a bourgeois publication that has just appeared *Economic Devolution in E. Europe* by L. Sirc (Longmans 1969). According to Sirc, Liberman is a “business economist...mainly, if not exclusively concerned with the current management of enterprises” (p. 41). “Liberman neither pioneered the most important proposals incorporated in Kosygin’s reform nor contributed anything essential to the theoretical discussion of the basic postulates behind these issues ...His appearance on the Moscow scene and the prominence initially given to his suggestions were probably engineered by Nemchinov’s group, which chose Liberman essentially for his neutrality, the modesty of his proposals and his disarming theoretical mediocrity.” (p. 60)

It has been reported that, at a meeting of economists in Moscow in 1948, Liberman proposed the use of profit as a means of gauging enterprise efficiency, which would seem to indicate that he was associated with Voznesensky’s faction. But we have not, so far, been able to find a translated account of his conference. The first article of Liberman’s that we know of is “Cost Accounting and Material Encouragement of Industrial Personnel”, *Voprosy Ekonomiki*, 1955, no. 6).

A more detailed treatment of cost-accounting will be carried out in the third part of this pamphlet, dealing with the history of revisionist economics.

### **THE Stalin-CRITICS**

Ever since it first achieved a certain degree of coherency in 1963, the modern anti-revisionist movement as included a very strong anti-Stalin tendency. In Ireland this tendency is politically insignificant, being limited to an existentialist body, the “Internationalists”, whose opportunism in other respects has been thoroughly exposed by the ICO. In 1964 the group that later formed the ICO decided that it would not associate itself with the sloganising, subjectivist, unhistorical “Stalin-criticism” that was then current in British anti-revisionist groups. It was not of the opinion that the Stalin period should not be subjected to criticism. On the contrary, it insisted that this period should be subjected to the severest criticism. But it also insisted that this criticism should be detailed, historical and concreted, and that whatever was published in the way of criticism should be stated clearly and concretely. Its own analysis of the period did not bring any fundamental “Stalin’s errors” to light. It only showed the absurdity of the various dogmatic utterances that were being made about “Stalin’s errors”. It would not be pointless to take issue with the groups of uncritical “Stalin-critics” with whom we came into fundamental opposition in 1964. Due to the subjectivism of their approach most of them have gone to pieces. The most notable “Stalin-critics” claiming to be anti-revisionist a present are the Internationalists in Ireland, and opportunists such as A. H. Evans, A. Manchanda and W. Ash in Britain. Their “criticism”, incredibly vague to start with, becomes even vaguer every year. A standard item of their “criticism” is that Stalin didn’t know the difference between antagonistic and non-antagonistic contradictions, and did much damage by treating non-antagonistic contradictions as antagonistic. The first part of this is demonstrably false; and as for the second part, it is never stated which particular non-antagonistic contradiction he treated as an antagonism.

We know of only one venture an anti-Stalin “anti-revisionist” into political economy. This is “Eastern Europe – A Retreat from Socialism” by Philip Hardie, which appeared in the summer and autumn 1968 issues of “The Marxist” (published in London). In this we are presented with a complete vulgarisation of the question of market Socialism with a view to establishing a continuity of development between the Stalin period and the post-Stalin period in Soviet economic development.

Hardie writes: "...30 years before any of the smaller countries in the Soviet bloc...the Soviet Union itself had opted for monetary incentives when still (!!!) at a relatively primitive stage of economic development" (Part 1, p. 3 – our emphasis) Stalin and Lenin said that the survival of commodity-money relationships was due to the backwardness of the economy which the working class took control of in Russia, and were of the opinion that industrial development would enable these relationships to be progressively eliminated. Hardie does not say that monetary incentives were introduced because of economic backwardness: he says they were introduced when the economy was "still" at a primitive stage of development. Between "because" and "still" in this connection there is a world of difference.

One line of bourgeois economics has maintained that "Stalinism" could free itself to a great extent from the market because of the economic backwardness of Russia, but that the market must come into its own when this backwardness is overcome.

During the past few years the Czech revisionists have said the same thing very clearly. And Hardie's "still" goes along with this view.

Stalin, on the other hand, held that it was this economic backwardness that was the basic cause preventing Soviet society from freeing itself entirely from the market. There is no doubt which is the Marxist view.

Hardie says that in the thirties the Soviet Union faced formidable challenges, military and economic. But "...the lines on which it was preparing to meet them were intrinsically no different from those followed by capitalism ..." (ibid p. 4). If economic problems in the Soviet Union in the thirties were dealt with in a capitalist manner (which, presumably, is what is meant by a manner "intrinsically no different from capitalism") what need was there to restore capitalism in the 1950s? Pray do explain, Mr. Hardie!

"The relapse into autocratic rule and the bureaucratic practices which grew up in the later years of the Stalin period, largely due to the draining of revolutionary politics out of the CPSU, had practical consequences which were visible at the time, even if their long-term effects were not foreseen. They prepared the way for the emergence of Khrushchev, Kosygin and others who were to reverse Stalin's policies." (p. 5). Which of Stalin's policies did they reverse, Mr. Hardie? His capitalist approach, his autocracy, his bureaucracy, etc.?

(Mr. William Ash, former owner of *The Marxist*, now a leader of the CPB (ML), a philosopher, novelist, etc., in an article on "Class Struggle in France" (summer 1968) which has been published internationally in a number of magazines, writes that Stalin "made some serious mistakes, otherwise the revisionists could never have taken over so soon after his death to lead the Soviet Union back to capitalism." Mr. Ash, as usual, neglects to mention even one of these "serious mistakes". Furthermore his argument is lacking in elementary logic. It suggests that there is a logical inference where there is none. It equates succession with causation. And this remarkable lapse from the elementary principles of reasoning comes from the author of a ponderous philosophical treatise on the categorical imperative – "Marxism and Moral Concepts". It seems that Stalin's influence still plays havoc with the reasoning powers of the bourgeois intelligentsia.

"Looked at without blinkers the new system is no more or less than a rationalisation of the old" (p. 7), Mr. Hardie declares. And indeed if the old system was characterised by a bureaucratic, autocratic, capitalist approach, there was no need to restore capitalist production: it was already there. In that case "rationalisation" is as good a word as any to describe the sloughing off of certain superficial illusions of socialism.

Despite some phrasemongering that might suggest otherwise, Mr. Hardie keeps an open mind on the question of market socialism, finding it "tempting to assume that the business strategy of autonomous firms in a system based on public ownership would, when it came to the point, be subordinated to a clearly-defined plan, the ambitions of even the most powerful managements reined in by an overall policy" (part 2, p. 6). But he is doubtful whether he should succumb to this tempting vision: the age-old petty-bourgeois dream of a commercial system under social control and regulation.

In another place he writes: "Is it legitimate to speak of rival enterprises within a socialist economy? In the sense that they compete with each other to offer better remuneration and amenities to managers and workers, the enterprises

obviously are rivals. That would not make them necessarily commercial rivals". (pt. 1, p. 8). If the "better remuneration and amenities" were dependent on the sale of goods, the enterprises certainly would be commercial rivals. Mr. Hardie leaves this very basic question suspended in the air, and keeps the door open to market socialism. That, of course, makes him incapable of dealing concretely with the end his "criticism" of revisionism shifts away from economics and becomes anti-economic and populist.

"It could be argued that socialism is a state of society in which the means of production have in the main passed out of private ownership. But this would imply that it did not so much matter how, or in whose interests, production was controlled". (pt. 2 p. 9 – Note the absurd counterposing of ownership and control.) "There seems no intrinsic reason why this growth rate of a socialist economy should always be high and consistent, and to blur the real issue, the remoulding of society, by focusing attention on growth rates is once more to part company with Marxism". (ibid) "This non-Marxist outlook not only puts economic growth above everything else but makes it the goal of political activity. It is economism in its ultimate" (p. 10). "...socialism...is first and foremost a question of peoples' attitude of mind, of the subordination of the individual ego to the collective endeavour" (ibid).

The orthodox Marxist view is that socialism becomes a historical necessity (as distinct from a utopian dream) because capitalism becomes a shackle on the expansion of the productive forces. Conversely (as was continually stressed by Lenin and Stalin), the dominance of the socialist system will be established only if it achieves the expansion of the productive forces more effectively than capitalism. Socialism, "first and foremost", is most definitely an objective economic necessity, and is most definitely not merely an "attitude of mind". To reduce socialism to an "attitude of mind" is to reduce it to a utopia whose realisation is no more a historical necessity than was the realisation of the dreams of the slave or the feudal serf.

It is because capitalism becomes economically inadequate for securing the expansion of the productive forces that the destruction of the capitalist "attitude of mind" becomes a historical necessity. If the capitalist economy remained historically viable so would the bourgeois "attitude of mind". And it is because a socialist organization of the economy becomes necessary to the expansion of the productive forces that the development of a socialist "attitude of mind" becomes necessary and realisable on a social scale.

Lenin stated the matter with his usual clarity and forcefulness:

"Following the seizure of political power, the principal and fundamental interest of the proletariat lies in securing an enormous increase in the productive forces of society." (The Role & Functions of the Trade Unions under N.E.P., January 19-22, Vol. 33 p. 188). And "In the last analysis, productivity of labour, is the most important, the principal thing for the victory of the new social system". (A Great Beginning, 1918)

"Economism", Mr. Hardie declares: which only shows how little he understands what economism is. Economism is not the view that economics is the determining factors in social development: that is Marxism. Economism is the denial, whether openly or in practice, of the need for working class politics in the struggle to develop the new production relations which have become economically necessary.

Hardie remarks: "As in the Soviet Union...the "socialisation" of the countryside in the other countries of Eastern Europe was introduced administratively from above." (pt. 2 p. 8). The historical fact that the collectivisation of agriculture in the Soviet Union was achieved through intense class struggle, and could not possibly have been achieved "administratively", is a minor detail that has never bothered the anti-Stalin "Marxists" whose view of the history of the Soviet Union is spun out of their own bureaucratic heads. Having dismissed as "economism" "the Marxist view of revolution as a process which brings production relations into accord with the needs of the expanding productive forces, Mr. Hardie can only peddle idealist and subjectivist absurdity.

Finally, we will take note of Mr. Hardie's notion of "a controlling hierarchy, not capitalists but applying capitalist principles." (pt. 2 p. 9). (This notion first made its appearance in an offshoot of trotskyism in the late '30s, in the theory of "bureaucratic collectivism"). The notion suggests that a third mode of production is possible in a modern industrial society. It suggests that there can be class exploitation on the basis of social ownership without the existence of a bourgeoisie. It does not explain how class exploitation and social ownership of the means of production can exist together. The notion rests on a mere verbal quibble, and its political function is to dissolve

scientific Marxist analysis into a variety of impressionism which makes use of Marxist phrases as labels to stick on its impressions and feelings.

## **OWNERSHIP AND CONTROL**

Orthodox Marxism has always regarded the abolition of private ownership and the establishment of social ownership of the means of production as the essential task of the socialist revolution, and it has regarded the establishment of social ownership as being necessary to the continuing expansion of the social productive forces. Khrushchevite revisionism has not formally challenged the need for social ownership, though it has reduced the concept of social ownership to a legal formality. Neither has modern revisionism denied that socialism must justify itself in terms of economic growth, though in practice it deals with the matter of economic growth in isolation from the class struggle and represents economic growth as expressing itself more or less automatically in the development of socialist production relations.

Hardie, the inspirational “anti-revisionist”, reacts against these revisionist distortions by denying that the change in property relations is the fundamental task of socialism, and by denying that this revolution in production relations is made necessary by, and must justify itself in terms of, the expansion of the productive forces. In order to do this, he counterposes ownership and control. Since this view is fairly widespread it is necessary to deal with it.

What is bourgeois property? The Trotskyist and modern revisionist view (which is also found among elements claiming to be anti-revisionist) is that bourgeois private property cannot exist without legal documents which give formal expression to bourgeois property rights. In this view the essence of property becomes a legal matter. The argument then runs that since these traditional legal expressions of bourgeois property do not exist in the revisionist countries it is absurd to describe the revisionist societies as bourgeois. Trotskyists and liberal revisionists (among whom we include anti-Stalin “anti-revisionists”) then usually argue that while socialist property relations exist in production in revisionist economies, production is controlled by bureaucratic elites, and distribution follows a more or less bourgeois pattern. But this view of property is utterly metaphysical, and was specifically rejected by Marx.

In *Capital*, Volume 1, Marx described bourgeois property as “the right, on the part of the capitalist, to appropriate the unpaid labour of others or its product, and...the impossibility, on the part of the labourer, of appropriating his own product” (p. 584).

And in the *Poverty Of Philosophy*: “to define bourgeois property is nothing else than to give an exposition of all the social relations of bourgeois production. To try to give a definition of property as of an independent relation, a category apart, an abstract and eternal idea, can be nothing but an illusion of metaphysics or jurisprudence” (p. 173). And he refers to “social relations forming in their entirety what is today known as property: outside these relations bourgeois property is nothing but a metaphysical or juristic illusion” (p. 208). And if that is so, the notion of “a controlling hierarchy, not capitalists but applying capitalist principles” is a total absurdity, resting on an utterly metaphysical view of bourgeois property as something distinct from bourgeois social relations.

Property is a social relationship. Capital is a social relationship, not a metaphysical thing. That belong so, the capitalist must be described essentially in terms of social function. Marx made this point again and again.

“The capitalist himself only holds power as the personification of capital. (In Italian bookkeeping this role of his as a capitalist, as personified capital, is even always contrasted with him as a mere person, in which capacity he appears only as a personal consumer and debtor of his own capital).” (*Theories of Surplus Value*, Part 1, p. 377) “...the capitalist as such is only a function of capital, the labourer a function of wage-labour.” (ibid, p. 396)

“The principal agents of this mode of production itself, the capitalist and the wage labourer, are as such merely embodiments, personifications of capital and wage-labour: definite social characteristics stamped upon individuals by the process of social production; the products of these definite production relations”. (*Capital*, Vol. 3, p. 857/8) The capitalists “are the trustees of bourgeois society, but they pocket all the proceeds of this trusteeship.” (ibid, p. 261)

Concerning the relationship between commodity production and bourgeois property, Marx wrote: “(Just as, at a given stage in its development, commodity production necessarily passes into capitalistic production (in fact, it is only on the basis of capitalistic production that products take the general and predominant form of commodities), so the laws of property that are based on commodity production, necessarily turn into the laws of capitalist appropriation.) We may well, therefore, feel astonished at the cleverness of Proudhon, who would abolish capitalistic property by enforcing the eternal laws of property that are based on commodity production.” (This statement appeared as a footnote on p. 571 of the first German edition of Capital in 1867. It appeared in the first English translation (p. 597) which was published in 1887, and in the English editions by Ernest Untermann published in America. The sentence within brackets is omitted from the English edition recently published in Moscow p. 587). No indication is given that it has been omitted.)

The absurdity of counterposing ownership and control of production should now be clear. Ownership, separated from control, is in general nothing but a legal fiction. While in bourgeois law, and in the practical running of bourgeois society, it may make sense to distinguish between possession, ownership, property etc. (and even then it is said that possession is nine points of the law) it is nonsensical when it comes to characterising a mode of production to rest one’s judgements on distinctions between property, possession and control. A legal entitlement to property separated from effective control has no reality. The bourgeoisie in Formosa may in certain legal fantasies “own” great properties in the Chinese mainland without in any way interfering with the ownership of the actual controllers, the workers and peasants on the mainland.

Effective control is the only real ownership. It is prior to legal entitlement, and does not depend on it. If legal entitlement is divorced from effective control it has no reality.

Bourgeois property is a specific kind of control over the labour of others. To make essential distinctions between “a controlling hierarchy” in a market economy and a bourgeoisie is, to use Marx’s words, “an illusion of metaphysics or jurisprudence.”

(Even the bourgeois sociologist Max Weber was closer to reality than our anti-Stalin “anti-revisionists”. He wrote: “Capitalism is present whenever the industrial provision for the needs of a human group is carried out by the method of enterprise, irrespective of what need is involved. More specifically, a rational capitalistic establishment is one with capital accounting, that is, an establishment which determines its income yielding power by calculation according to the methods of modern bookkeeping”. “Rational capitalism...is organised with a view to market opportunities.” (General Economic History p. 207 & 247).)

If, in fact, there is “a controlling hierarchy”, then, regardless of legal fictions to the contrary, this hierarchy is the practical owner of what it effectively controls. And if effective control is exercised by “applying capitalist principles”, then the form of ownership is bourgeois. The notion: “not capitalists but applying capitalist principles” is absurd. The application of capitalist principles in production is the basic function of the capitalist. Everything else is secondary and derivative from this basic social function.

Marx’s statement, that “the laws of property that are based on commodity production, necessarily turn into the laws of capitalist appropriation”, is being fully borne out in practice by the development of modern revisionism. The fact that for a time the development of bourgeois ownership under revisionism may be more real than apparent may allow political confusion on the matter to be developed. But it is the real and not the apparent ownership that affects economic development. Actual bourgeois property relations in the revisionist countries have slowed up economic development and given rise to severe economic crises.

### **A TROTSKYIST VIEW**

The British Trotskyist Tony Cliff (whose International Socialism organisation lurks in the background of the “Peoples Democracy”) published a series of books in the early 50s to prove that the Soviet Union had been capitalist since some indeterminable date in the 20s, and that China and E. Europe had never ceased to be capitalist. (In this respect I.S. differs from other Trotskyist sects). Like Mr. Hardie, he regards the revisionists’ “reforms” as rationalisation of the system of the Stalin period.

In “Stalin’s Russia” Cliff described the Soviet economy of the Stalin period as “state capitalist”. though he had to concede that the law of value did not exercise a regulating influence in it, and that the means of production were not commodities: “price is not the medium through which Russian production and the division of labour in Russian society as a whole are regulated” (p. 156). There is political regulation. “. . .the source of the law of value is not to be found in it. In essence, the laws prevailing in the relations between the enterprises . . . would be no different if Russia were one big factory managed directly from one centre”. (p. 159) “Stalinist” state capitalism was, therefore, a form of capitalism which was not based on commodity production: it was a form of capitalism based on the direct production of social use-values.

“The fact that the Russian economy is directed towards the production of certain use values does not make it a socialist economy”. In fact: “Use values have become the aim of capitalist production”. (p. 161)

On the other hand: “The economy of a workers’ state and a capitalist economy have many common characteristics . . .In a workers’ state as well as the capitalist commodity economy, equivalents are exchanged: a product containing a certain quantity of socially necessary labour is exchanged for another product containing an equivalent amount” (p. 98). So Trotskyist “socialism” and capitalism are both commodity economies, while Stalinist state capitalism is not a commodity economy; and the aim of production in all three, including the two forms of commodity exchange economy, is use values!

To account for the high growth rates and the absence of slumps in Stalinist capitalism, we are told: “It is obvious that some of the causes of crises of overproduction in traditional capitalist would not exist in a system of state capitalism”. (p. 167). And we are presented with the prospect of “a capitalist mode of production with a high and continuously rising level of production” (p. 169). On this view socialism ceases to be necessary to the expansion of the productive forces. Either socialism or state capitalism will suffice. Socialism, then, ceases, to be an objective historical necessity.

We won’t waste time with a detailed exposure of these trotskyst fantasies. During the past decade “International Socialism” has consistently represented demands for the establishment of commodity relations and the restoration of private property in agriculture in E. Europe as socialist demands. In “Mao’s China” (1957) T. Cliff (Y. Gluckstein) compared the economic prospects of “democratic” India favourably with those of “totalitarian” China – which in his view was not even state capitalist, but was some unthinkable variety of Asiatic barbarism. In 1966 he declared that Maoist Stalinism had no objective basis in China and that Liuist Bukharinism would inevitably triumph, and that Liuism was closer to the working class interest.)

## **STALIN AND PROFIT**

The “anti-revisionist”, Hardie, tells us that “Profit is not something that suddenly re-appeared in Soviet industry: it has been there all along”; and that “Looked at without blinkers the new system is no more or less than a rationalisation of the old”. But the revisionists in Russia, who should know, do not agree that they had only to “rationalise” the “Stalinist” system. The eminent Gatovski writes:

“In Economic Problems, Stalin counterposed to the principle of profitability of enterprises his own principle of higher profitability; he included the latter among the advantages of a planned economy, which ensures the uninterrupted growth of production. Moreover, he regarded profitability of enterprises as “temporary and unstable”, “which” in no way can be compared with this higher form of stable and constant profitability. Here . . .the concept of higher profitability was divorced by Stalin from profit . . .The clear and definite concept of profitability was replaced by the absolutely hazy, indefinite and essentially meaningless concept of higher profitability, which had no relation to profit.” Stalin’s attitude towards profitability of enterprises was wrong. Why can’t it be stable and permanent? Why is it doomed to be ‘temporary and unstable’?” (The Role of Profit. Kommunist. 1962 No. 18)

The relevant passage occurs in p. 10 of Economic Problems:

“If profitableness is considered not” from the standpoint of individual plants or industries, and not over a period of one year, but from the standpoint of the entire national economy and over a period of, say, ten or fifteen years, which is the only correct approach to the question, then the temporary and unstable

profitableness of some plants or industries is beneath all comparison with that higher form of stable and permanent profitableness which we get from the operation of the law of balanced development of the national economy and from economic planning, which save us from periodic economic crises disruptive to the national economy and causing tremendous material damage to society, and which ensure a continuous and high rate of expansion of our national economy.” (Section 3, Law of Value)

The first thing to note here is that Stalin’s concept of “higher profitability” is not a commercial category, whereas the revisionist profit is. It is clear that the profit realised by more or less independent enterprises on the sale of their goods, and profit as a term used to describe the expansion of socially useful production in the national economy, are entirely different things. Though the latter must express itself as commercial profit of enterprise in a market economy, it is not necessarily connected with or limited to commercial profit.

The realisation of commercial profit by competing enterprises (and there can be no real commercial profit without market competition) and the expansion of production out of commercial profit, necessarily presupposes the fragmentation of control of the economic process. It is incompatible with direct social direction of the economy, and contains the causes of the capitalist crisis. But Stalin’s concept of the profitability of the national economy precludes the system of commercial competition and presupposes social control of the economy – which in the first place must be political control by the workers’ state.

Gatovski asks why commercial profit in each enterprise can’t be permanent and stable. The answer is simple. Because of changing economic conditions due to technological development, and because of the economic disproportions and crises which necessarily arise in a system based on competition between more or less autonomous enterprises.

#### **P.S. TO SECOND EDITION**

Most of the Stalin-critics mentioned in the foregoing section have already lapsed into oblivion.

#### **LENIN**

Modern revisionism, which tries to represent itself as a return from “Stalinism” to Leninism, must in economics try to represent itself as a return from Stalinist “arbitrariness” to Leninism market socialism. But the difficulties of representing Lenin as a market socialist, even by opportunists skilled in quoting out of context, are enormous. For the most part, therefore, statements including Lenin among the market socialists remain bare dogmatic statements unsupported by ever a pretence of historical evidence.

What little pretence at historical evidence there is depends on the quotation out of context of statements made by Lenin on the introduction of the New Economic Policy In 1921. Under the NEP there was a partial freeing of the market under state control. The total disruption of the economy in the civil war and the wars of intervention made necessary this freeing of market relationships as the only way of reviving the economy. In 1917 there was a relatively small industrial working class among a vast peasantry, and only a few industrially developed centres. Between 1917 and 1921 there was a considerable worsening of this weak economic position of the working class. In fact the industrial working class had in a sense ceased to exist. Lenin repeatedly described it in 1921 as a “declassed working class”. The vanguard was highly developed politically, but little existed outside this political vanguard. A priority task, therefore, was the development of a substantial industrial working class. The freeing of trade under the overall control of the communist political vanguard was the only way in the circumstance of achieving this. There was no talk of commodity socialism.

“The capitalists will gain from our policy and will create an industrial proletariat which in our country, owing to the war, has become declassed. i.e., dislodged from its class groove, and has ceased to exist as a proletariat ... Since large-scale capitalist industry has been destroyed, since the factories are at a standstill, the proletariat has disappeared. It has sometimes figured in statistics, but it has not held together economically. The restoration of capitalism would mean the restoration of a proletarian class ...” (October 17, 1921. Vol. 33 p. 65-6)

Other statements made by Lenin in this period of the freeing of market relations:

“the choice is between economic relations of this type and nothing at all” (Vol. 32, p. 224). “Exchange is freedom of trade; it is capitalism” (p. 364). “Commodity exchange and freedom of trade inevitably imply the appearance of capitalist relationships” (p. 385).

Lenin did not represent the extension of commodity relations as a feature of the transition from capitalism to socialism. He knew very well, and said very clearly, that capitalism was the fullest development of commodity relations. It is only the modern revisionists (who deny that the necessity for extensive commodity relations was caused by Russia’s lack of capitalist development) who make the absurd statement that the extension of commodity relations is a feature of the transition between capitalism and communism. Lenin showed that the extension of commodity relations under the NEP was a feature of the “transition from pre-capitalist relations to socialism” (ibid, p. 349). Russia, he said, requires “a whole series of special transitional measures which would be superfluous in highly developed capitalist countries where wage-workers in industry and agriculture make up the vast majority” (p. 214)

With the general restoration of market relations in the economy in 1921, state enterprises were also made to operate on a profit basis: “...the socialist state enterprises are being put on what is called a profit basis, i.e. are being organised on commercial lines” (Vol. 33 p. 185). This was not due to any theories of market socialism. It was “inevitably and inseparably connected with the NEP” (p. 186). The weak state enterprises, operating in the restored market environment, had to operate on commercial lines.

The commercial operation of state enterprises was “bound to create a certain conflict of interests in matters concerning labour conditions between the masses of workers and the directors and managers of state enterprises, or the government departments in charge of them. Therefore, as regards the socialised enterprises, it is undoubtedly the duty of the trade unions to protect the interests of the working people” (p. 186).

Furthermore, the commercial operation of enterprises must give rise “to relative stability, specifically among the trade unions, of those political influences that serve as the superstructure over the remnants of capitalism”, i.e. social-democracy and anarchism. “It is to this socio-economic base and not to the role of individual groups, still less to individual persons, that we must attribute the survivals (sometimes even the revival) in our country of such petty-bourgeois ideas among the trade unions” ..(p. 195). “The C.P. and the Soviet Government and trade unions must frankly admit the existence of an economic struggle and its inevitability until the electrification of industry and agriculture is completed – at least in the main – and until small production and the supremacy of the market are thereby cut at the roots” (p. 195).

These statements show how absurd it is to attribute the implementation of commercial principles in state enterprises to a belief on Lenin’s part in market socialism, the “transformation of value”, etc.

Even though the state enterprises had to operate temporarily on a commercial basis, they remained completely under the political control of the socialist state. For that reason like the manufactured goods made by socialist factories and exchanged for the foodstuffs produced by the peasants are not commodities in the politico-economic sense of the word; at any rate they are not only commodities, they are no longer commodities, they are ceasing to be commodities.” (Vol. 32, p. 384).

The eminent opportunist, L. Leontyev, says about this statement: “Evidently, he indicated that the products of socialist factories were no longer commodities from the standpoint of the old political economy, which did not deal with socialism, that they were not being commodities in the sense of being a product of capital, and that they were not only commodities because they were bearers of a higher type of production relations, those of socialism.” (World Marxist Review, May 1968)

But, despite Leontyev’s use of the adverb “evidently”, he cites no evidence, and there is no evidence. to support the view that, when Lenin said in 1921 that the products produced in state factories were ceasing to be commodities, he meant that they were remaining commodities but that the social nature of the commodity was being “transformed”.

If Lenin insisted that consumer goods produced by state enterprises in NEP conditions were losing their commodity nature, he certainly would not agree with the revisionists that the means of production in fully fledged socialist

industry are commodities. (Of course, it must be understood that when the revisionists said in the late fifties that the means of production “are” commodities, the meaning was that they must be made commodities).

Leontyev asserts: “Marxist-Leninist literature has proved as entirely groundless the idea that Marx and Engels and Lenin pictured socialism as a natural economy without commodity-money relations and the pertinent economic categories” (ibid). We need only refer to Anti-Dühring to give the lie to this. Or to Marx’s statement in Capital (Vol. 1 p. 77) that in a socialist economy the allocation of resources among various possible uses would be done consciously and directly, in essentially the same way as Robinson Crusoe allocated his resources. (This statement was dismissed by Lange as “simplicist”.)

In the case of Lenin here are very definite statements made in “The Agrarian Question in Russia” (1908): “So long as exchange remains, it is ridiculous to talk of socialism”. And “Socialism, as is known, means the abolition of commodity economy”. There could hardly be a more definite repudiation of commodity socialism than that.

In 1957 Lange put forward the view that there were economic laws of socialism which operated spontaneously, and independently of political control. Political control was required only for a brief period after the revolution, until the economic laws of socialism began to operate. Thereafter political interference in economic affairs had the effect of hindering economic development and breeding bureaucratic distortions. It is now being attempted to foist this view on Lenin: “Lenin held that during the transition from capitalism to socialist society political tasks were secondary to economic ones” (L. Shkarenkov: World Marxist Review July 1968). The writer also says: “Lenin, by the way, was the first to postulate the specific importance of price, profit, credit and wage categories in a socialist economy”. He neglects to provide evidence of this.)

But a socialist economy is one which is under social direction, and until the abolition of classes is achieved social direction must take the form of political direction. The theory of the spontaneous economic development of socialism (i.e. of an economy which is under conscious social control) is absurd. It is a self contradiction.

Lenin’s position was clear: “Trotsky and Bukharin ...have both reproached me...for taking a ‘political’ approach, while theirs is an economic one”. But “politics is the concentrated expression of economics...Politics is the concentrated expression of economics...Politics must take precedence over economics. To argue otherwise is to forget the ABC of Marxism” (Once Again on the Trade Unions...and the Mistakes of Trotsky and Bukharin. Feb 1921 Vol. 32 p. 83)

In “State and Revolution” he dealt with the matter as follows. The socialist revolution must achieve “the expropriation of the capitalists, the conversion of all citizens into workers and employees of one huge ‘syndicate’ – the whole state – and the complete subordination of the entire work of this syndicate to a genuinely democratic state, to the state of the Soviets”. “All citizens are transformed into hired employees of the state, which consists of the armed workers.

All citizens become employees and workers of a single nation-wide state “syndicate”. “The whole of society will have become a single office and a single factory”. (Chapter 5, Section 4)

Only in this way can the economic process be brought under social control, i.e. political control in the first instance.

Lenin remarks that “this ‘factory’ discipline, which the proletariat, after defeating the capitalist after overthrowing the exploiters, will extend to the whole of society, is by no means our ideal, or our ultimate goal. It is but a necessary step for the purpose of thoroughly purging society of all the infamies and abominations of capitalist exploitation, and for further progress”. Socialism is a necessary stage on the way to communism. And we can be certain that the “further progress” Lenin speaks of will not be the fragmentation of the economic process into competing autonomous enterprises, the abolition of social control of the economy, the institution of “market socialism”.

(This picture of a socialist economy as a “single office and a single factory” is usually described by opportunists as “totalitarian” etc. It is interesting in this respect to quote a passage from James Connolly’s suppressed writings: “In a very real sense there is superficially little to discriminate between the administrative machinery of perfect despotism in social affairs and that of perfect freedom. The essential difference lies in the purpose for which each is maintained.” (Forward May 31 1913)

Lenin did not indulge in the casual utterance of sweeping generalisations in any circumstance, and least of all in important political documents and at important political meetings. It can therefore be taken for granted that generalisations made in his Theses on Bourgeois and Proletarian Democracy presented to the first Congress of the Comintern in March 1919 were carefully considered. On that occasion he made the following statement (and history testifies to the remarkable profundity of the analysis):

“the whole science of political economy...the entire content of Marxism...reveals the economic inevitability, wherever commodity economy prevails, of the dictatorship of the bourgeoisie.”  
(Vol. 28, p. 464)

### **Conclusion**

A summary treatment is given below to some questions which will be dealt with in more detail in a subsequent publication.

### **LABOUR-POWER A COMMODITY?**

It is continuously asserted by the revisionists in popular publications that while all the products of labour, both consumer goods and means of production, are commodities, labour power itself is not a commodity, and that their system cannot, therefore, be capitalist. Here we will only remark that labour power never ceased to take the form of wage-labour, and that with the general restoration of market relations it must undoubtedly have the substance of wage-labour. The notion of a system in which the means of production and consumption are commodities, but in which labour-power is not a commodity, has been stated by the revisionists, but it has never been explained by them. If such a system existed in reality it would undoubtedly have been investigated and explained in detail.

In a planned, socially controlled economy in which all workers were the employees of the workers' state, the outward form of wage labour might remain but labour-power in fact would not be a commodity. The workers individually would “sell” their labour-power to themselves collectively. There would be no real change of ownership. The distribution of labour-power among various productive uses would, like the distribution of the instruments of production, be regulated by conscious social decision and not by the market. But as revisionism develops, labour-power, like the instruments of production, is distributed among the various branches of industry by the market. And as effective control of production is established by managerial elites (by the bourgeoisie) the hiring of labour power involves a real change of ownership. In Yugoslavia this is already clear.

Marx was in no doubt about the necessities of this matter:

“Only when and where wage-labour serves as its basis does commodity production impose itself upon society as a whole” (Capital, Vol. 1 p. 587).

Labour-power must be a commodity in order that commodity production may become the general form of production in a society. This is borne out in practice by the actual development of market socialism even though revisionist ideologists may claim, without explanation, that commodity production becomes the general form of production while labour-power remains sealed off from commodity relationships.

In revisionist business theory (as distinct from propagandist ideology) this fact is admitted: “Manpower, as we know, also has value. The production of manpower has much in common with other kinds of production” (A. Ivanov: ‘Problems of Determining Value’ – Vestnik Statistiki, 1963, No. 2).

### **COMMODITY FETISHISM**

Marx: “The commodity is...a mysterious thing, simply because in it the social character of men's labour appears to them as an objective character stamped upon the product of that labour, because the relation of the producers to the sum of their own labour is presented to them as a social relation, existing not between themselves, but between the products of their labour” “...a definite social relation between men...assumes the fantastic form of a relation between things”. “This fetishism of commodities has its origin...in the peculiar social character of the labour that

produces them”. “Since the producers do not come into contact with each other until they exchange their products, the specific social character of each producers’ labour does not show itself except in the act of exchange. In other words, the labour of the individual asserts itself as a part of the labour of society, only by means of the relations which the act of exchange establishes directly between the products, and indirectly between the producers”. “Fetishism...attaches itself to the products of labour, so soon as they are produced as commodities, and...is therefore inseparable from the production of commodities”. (Capital Vol. 1 p. 72/3)

Though the cause of fetishism described by Marx (the dual character of labour as abstract and concrete) is present in commodity-socialism, the revisionists assure us that the socialist commodity is entirely free from fetishism. This would be remarkable if true. But in fact, what we have been unravelling in this pamphlet are the mystifications resulting, from the fetishism of the “socialist commodity”

The illustrious revisionist, Kronrod, writes: “The value of a commodity produced under socialism is a material production relationship i.e., the expression of the social tie between people through things which are products of labour”. (Commodity Production Under Socialism. Voprosy Ekonomiki February 1959).

### **PLAN AND MARKET**

In revisionist countries, such as East Germany, where the market is being re-established systematically and without too much obstruction from idealist sections of the bureaucracy who imagine that, market development can be frozen at a certain stage, propaganda emphasis tends to stress the planning element. In Czechoslovakia, where the restoration of the market was irrationally obstructed in the late period of Novotny’s government, the need for market development tends to be emphasised in propaganda. A by-product of this is that whereas Czech economists emphasise the role of the market in socialism, the East Germans emphasise the planning element in capitalism.

As a sample of the latter we will take “Reflections on the ‘Plan and Market’ Problem” by W. Berger and O. Reinhold (World Marxist Review July 1968). These writers say “we do not treat the market mechanism as the determinative element of our socialist economic system”. Very different from Sik, it might seem. But then we are told that “those who think an actually functioning market exists under state-monopoly capitalism” are seriously mistaken. The “profit-market machinery (is) no longer able to regulate production and circulation in imperialist countries”. “No effective economic structure will ever be forged by the operation of the market either under state-monopoly capitalism or socialism”.

These writers say that neither capitalism nor socialism are based on a functioning market. Sik says that both capitalism and socialism are based on a functioning market. It is clear that the difference between the two statements is more apparent than real.

### **THE “CONSCIOUS APPLICATION OF THE LAW OF VALUE”**

(This is another way of dealing with the “plan-market” question.) Some revisionists say that “socialist prices of production” are entirely different from capitalist prices of production, since they are consciously determined by the conscious application of the law of value, while capitalist production prices are determined blindly through the spontaneous operation of the law of value with its endless price fluctuations.

Now it is clear that a comprehensive conscious application (assuming it to be feasible in the long run), and the spontaneous operation of the law of value must give rise to essentially the same social organisation of the production process, as Engels made clear in Anti-Dühring. A consciously applied law of value would lead to a consciously operated system of capitalism, in which presumably the effects of market competition would be worked out without an actual functioning market. This, however, is a fantasy. A system of capitalism which is consciously operated in all of its details, and in which men go through the appearance of enacting what had already been calculated, would be beyond the capacity of the best computing method, and assuming that the computing could be done it would be beyond the ability of the most powerful police force to enforce. A society of humans whose actions are but shadows of the calculations of a computer may exist in escapist bourgeois science fiction: it will never exist as an actual human society.

A society based on the conscious application of the law of value is a fantasy. It is only when the market is being reconstructed after a period of socialist development that it can be said that, in any real sense, the economy is being run by a conscious application of the law of value: and in this case the object is to bring an actual market into being; to construct the elements of the market so that it can operate, not to be a “conscious” substitute for them.

But there is another sense, much more limited, in which it may be said that there is a long term “conscious application” of the law of value”: that is, it can be “consciously applied” in a subsidiary role within a functioning market. It was already pointed out by Engels in the 1890s that capitalism could no longer be said to be unplanned. The scale of production and the complexity of the market makes a certain degree of planning necessary, as does the increasing pressure of the working class on the system. But the purpose of the various government controls in present-day capitalism is the maintenance of a functioning market system at the present stage in the development of its contradictions. The various devices by which the bourgeois state modifies the operation of the trade cycle, stimulates or retards the development of various lines of production, and facilitates the development of market relations, are in fact a “conscious application of the law of value” within a functioning market, and in the service of a functioning market.

Market socialist “planning”, based on broad “realistic analyses of demand trends,” and technological-economic analyses”, and exercised through “financial levers” such as “the transfer and redistribution of part of the incomes earned by enterprises, credits and interest, prices, taxes, custom duties, export premiums, subsidies, etc.” (Sik p. 156) – this is “planning” in the sense of “conscious application of the law of value”, and has long been part of capitalism. (Leontyev declares: “Bourgeois economists maintain that the plan and the market are antipodes” (World Marxist Review May 1968). If by plan is meant “the conscious application of the law of value”, they certainly do not. What they reject is what the revisionists reject: material planning as distinct from “value planning” and “financial control”; direct social control of production as envisaged by Marx and Engels. )

## **APPENDIX**

### **Economic Theory in China**

At the time of publication of Marxism and Market Socialism we were unaware of any writings by Chinese political economists on the issues dealt with there. We have since found translations of articles on political economy published in China in a magazine called “Chinese Economic Studies”, published in New York. As with “Problems of Economics”, a translation of Russian writings on political economy produced by the same publishers, the purpose of the magazine is to keep the bourgeoisie informed about current developments. While “Problems of Economics” is published in collaboration between the American publishing company and the Russian authorities, no such arrangement exists with the Chinese authorities.

These magazines are not put on general sale. They are available by subscription only, at a prohibitive cost. The price of Chinese Economic Studies is 40 dollars yearly, i.e. for four issues: about £4 for a magazine not much bigger than The Irish Communist.

It is a common assumption among the subjectivist, phrasemongering brands of “Maoism” (i.e. the Internationalists in Ireland, and the Communist Party of Britain (ML) in Britain) that the bourgeoisie in the period of the general crisis of imperialism have become incapable of objective thought, of scientific investigation of social reality. Yet in knowledge of the actual developments that took place in Russia and E. Europe following the death of Stalin, the bourgeoisie were leaps and bounds ahead of the working class movement, including its Communist vanguard. For many years while the Communist movement was still living in illusions, the bourgeoisie had made an objective assessment of the situation and had adopted policies based on that assessment in order to influence developments in its favour. It must be admitted that the bourgeoisie, far from being incapable of objective thought, has during the past fifteen years investigated social reality more objectively than the working class movement.

In the period following the death of Stalin workers who depended on the Communist press for their knowledge of developments in the international communist movement would have lived in a world of total illusion. Only by depending on elementary class instinct and by reading the press which the bourgeoisie published for their own

information could workers keep abreast with developments in their own movement. And this is what many workers did.

The ICO, which was formed by a group of workers who experienced the immense contradiction between objective reality and its reflection in the Communist press in the late fifties and early sixties, is determined that its publications will not become a vehicle for spreading illusions in the working class movement, and that in no circumstances will its substitute phrases for concrete analysis. It is obvious that developments in China in the coming years will be of crucial importance to the working class movement internationally. The working class movement needs to keep itself accurately informed about the class struggle in China.

In socialist countries, where the working class is struggling to control the economy, political economy is of vital importance. The experience of the USSR and E. Europe makes that abundantly clear. It is natural to expect that information about the controversy in political economy should be easily available in the international working class movement. However, nothing of that kind has ever been published by the phrasemongering "Maoists" mentioned earlier. These groups, on the contrary, act as an obstruction between the struggle in China, and knowledge of that struggle by the working class movement outside China. And once again we are dependent for concrete knowledge on the bourgeoisie, who are allegedly no longer capable of objective thought.

The first issue of Chinese Economic Studies (Fall 1967) contains two articles concerning prices of production. "Prices of production" are explained in "Capital & Revisionism", and Russian revisionist writings are analysed in detail in "Marxism and Market Socialism". In brief the situation is this. The law of an average rate of profit operates in capitalist production. Where profit is above average capital is attracted, supply increases and profit falls: where it is below average capital is driven away, supply decreases, and prices and profits rise (assuming that the commodity is in demand). In the long run there is an average rate of profit on capital expended on socially necessary production.

It follows from this that in a given industry prices do not simply express the value of the commodities produced. Only labour (variable capital) creates value. Constant capital (buildings, machinery etc) are a condition for the productive expenditure of labour, but do not create value. Different industries require different proportions of constant and variable capital. If each industry appropriated its own surplus value as profit (which would be the case if its prices expressed values), there would be different rates of profit in different industries expressing the different proportions of labour to capital required. But no capitalist will be content to invest in an industry that gives a lower than average profit. It happens then that capitalist competition averages the rate of profit on necessary production: it shares out among all the capitalists the surplus value created in all production in proportion to the amount of capital each has invested. (This is done through the cut and thrust of the market and not by a formal share-out). Thus there arises what Marx termed "prices of production". These prices are made up of the cost of the labour and materials actually used up in the commodity, plus an average rate of profit on the total capital investment necessary for the production of the commodity.

In a system where independent enterprises compete in the market, prices of production are necessary to the efficient expansion of production. Without prices of production enterprises requiring high capital investments would get below average profits and their expansion would be hindered, and vice versa. But in a socialist system, where all industry is collectively owned by the working class and is consciously used to supply needs directly there is no basis for the law of average profit and for prices of production. This was the general view of Communists until the emergence of "market socialist" theories in Yugoslavia in 1948, and in Russia and E. Europe in the late fifties.

### **YANG CHIEN-PAI**

The first article translated in Chinese Economic Studies is "The Equilibrium of the National Economy and Production Prices" by Yang Chien Pai, published in Ching-chi yen chiu (Economic research) 1963, No. 12. (It appears that Yang held a position of considerable influence among Chinese economists. And we have gathered from some other articles that the questions dealt with were considered open questions in 1963. Many basic questions relating to value categories and socialism were listed in an article by Hsueh Mo-chiao entitled "Several Pending Problems Concerning Commodity Prices in our Socialist Economy which Await Discussion". Yang's position was challenged in 1965. This will be dealt with in a later article.)

“From the economic point of view...the correct pricing of products is the same thing as the correct handling of the peoples internal contradictions”. The problem is to “tell whether or not the composition and the structure of the economy conform to the needs and demands of society. Although the opinions of economists on this problem are divided, and there are many schools of thought and different theories, there seems to be only one solution and that is to express the myriad use-values in comparable and unified common measurement, namely, price. Personally, I agree entirely with such a view. Although it is impossible to calculate and to compare directly different use-values, it is possible to express indirectly use values in terms of money. The use-values of different units are now all expressed in a common denominator – money”.

“The use-value...is nothing but the manifestation of the values of the products.”

“...if prices of products of certain departments were set too high, while those of others too low, then the economic transactions between the departments would have discrepancies between the values created and the values realised. If [sic. *read in*] effect those departments whose products are priced too low would earn little profit, or even suffer some loss, while the departments whose products are priced too high would reap an abnormal profit. Under such unequal terms of trade, the state has to use the extra profit from the high-price department to subsidise the loss of the low-price department. If the equilibrium of the national economy is reached in this way, it is obviously impossible to reflect correctly the development of production in the various departments and to determine the proper rates of growth among the sectors of the economy. The unequal terms of trade would not affect much of the national economy if such practice were confined to intra-enterprise transactions of productice units operated by collective ownership. However, if this happened to enterpises operating as independent productive units under the centralised ownership of the state, it will affect the accuracy of economic accounting...If a certain enterprise or department cannot for a long time materialise the value it has created, or can only earn a relatively small profit, its development will inevitably be hampered in the long run. On the other hand, those enterprises or departments earning extra income may expand out of proportion with the rest of the economy. Moreover, in a socialist economy in which two different systems of ownership coexist side by side – the ownership of the people and the collective ownership – relations among enterpises of the system of the peoples ownership are not simply internal relations that concern only that system alone. In fact, all the products of enterpises of the peoples ownership are exchanged either directly or indirectly with products of the collective ownership. In this way, if prices of products in one system are set either too high or too low, they inevitably affect those in the other system.”

“...only when prices are near to values or when prices reflect accurately the actual consumption of social labour can an equilibrium of the national economy be established and economic plans be drawn accurately.”

“...the price of a product consists of three component parts: the consumption of materialised labour, the consumption of necessary labour, and the prices of production. The first two constitute the cost price and are relatively easy to compute. The differences focus on the problem of how to distribute the surplus value. The various views on this problem can be summed up into three categories: one advocates the determination of price according to original value, or the prices of production plus profit that is calculated on the basis of the live labour expended; the second advocates the determination of price according to the prices of production plus profit that is calculated on the basis of the costs of production; and the third advocates the determination of price according to the prices of production plus profit that is calculated on the basis of the paid-up capital... I am for the third method, for I believe that in a socialist society only the prices of production can be used to determine the scale, level and speed of the development of the national economy, to measure economic performance, and to express the economic relations.”

In the last paragraph “price of production” is used with two different meanings. In the description of the three categories it appears to be used instead of cost price, i.e. cost of wages and used up materials. The three categories are: 1. cost price plus a profit proportionate to wages; 2. cost price plus a profit proportionate to cost price (wages and used-up materials); 3. cost price plus a profit proportionate to total invested capital. Categories 1 and 2 are not workable since they would result in industries requiring heavy capital investment gaining below average profit. Only

the third category, prices of production in the proper sense, is “rational” in a market system of large scale production.

Yang next deals with the cause of production prices:

“I believe that the production prices are brought about by the socialisation and the large scale of production.” With the development of capitalist industry “there comes into being... a law of equal amounts of profit in equal periods of time, and the commodity price is no longer determined by the original, simple value but by the materialised form of value – production price ... Under such circumstances the law of value is actually not the law of an individual commodity or individual department, but the law for the society as a whole.”

“Socialist economy is, without doubt, essentially different from capitalist economy. However, socialist economy does not belong to the same category as simple commodity economy, but to the same category as socialised large-scale economy. It is essentially characterised by highly-developed social division of labour and large-scale combination of labour. The development of each department, therefore, depends on the development of certain other departments, and among the various departments there is a mutual influence that leads to a series of very complicated interdependent relations.”

“Under such conditions, therefore, the distribution of surplus products is not the problem of a particular unit or department alone, but it is a problem of the whole society to redistribute surplus products for the social and joint products of the various departments. A common, unified social scale is thus required. This scale can be nothing else but price – the expression of value in money; and under the socialist conditions of large-scale economy this value can be nothing else but the price of production – the converted form of value. Only by measuring the profit rate of advanced capital, and by using average profit as the scale, can contributions made by the various departments to society be correctly evaluated and an equilibrium of the economy be reached among the departments.”

A few years earlier, the Russian revisionist, Novozhilov, had put forward essentially the same view, deriving production prices and the law of the average rate of profit from the productive forces (“large-scale production”), and not from the production relations of capitalism: private ownership of the means of production and market competition. (See section on Prices Of Production in this pamphlet) Yang’s conclusion was: “Under capitalist conditions, the economic category of “production price” reflects the economic relations among capitalists, but under socialist conditions it reflects the economic relationship between society and the production departments and also between one department and another.”

Yang also put forward the view that the socialist revolution transformed the nature of the categories of commodity economy:

“Profit is often associated with capitalism. People making such an association, of course, cannot agree to the fixing of price according to the profit rate of capital... I believe that when studying socialist economic activities, we must neither blindly negate those things common to all socialised production methods nor confuse different production relations with those things reflected in different social forms...”

“Until now, in our socialist undertakings we have still been using numerous economic categories with the same names as in capitalist economy, such as commodity, currency, value, price, wage, cost, etc. Profit and production price are identical economic categories. Obviously, the identical economic categories we use here reflect socialist production relations. The question lies not in the identity of names and terminology, but in the difference in economic relations they reflect. Under capitalist conditions, for instance, the economic category “profit” belongs to the capitalists and reflects the relationship of capitalist exploitation: however, under socialist conditions it belongs to the whole people...”

“Capital is the value that exploits surplus value, and capitalist exploitation has already been wiped out in socialist society. It is undoubtedly correct, therefore, to say that the socialist product is not the product of capital. On the other hand, however, we must realise that in socialist society there still exists the economic category called “capital”, which works for the benefit of society. What is capital? It is merely that portion

of profit disbursed in advance for social reproduction, and its source is still that portion of surplus labour which remains when the material consumption in production is compensated and the needs of life are satisfied.”

If “capital” is essentially a surplus product that is left after current needs are met, then capital is always necessary to economic expansion. If the total product is consumed immediately there is nothing left for economic development, and the material basis for social development comes to an end. Since socialism and communism become necessary because capitalism can no longer ensure the expansion of the productive forces, it follows that “capital” is even more necessary in socialism and communism than in capitalism.

Marx insisted that “capital” was a social relation of exploitation and not a material surplus for economic expansion. The latter meaning would make the term so broad that it would be useless in the analysis of specific production relations. In that sense every society in which there was economic expansion would be a society in which there was capital.

Stalin said in “Economic Problems”, concerning the use of bourgeois economic categories to describe the phenomena of socialist production: “I think our economists should put an end to this incongruity between the old concepts and the new state of affairs in our socialist country, by replacing the old concepts with new ones that correspond to the new situation. We could tolerate this incongruity for a certain period, but the time has come to put an end to it.” (section 2) Stalin would have no truck with the view that the nature of these categories have been “transformed”. The material wealth available for the expansion of production in a socialist society is not transformed capital, but something entirely different. Capital is not simply material wealth. It is part of the product of labour which has been taken without compensation from the working class by the class which owns the means of production, and it can only be invested in accordance with the laws of the market.

Its social nature is entirely different from the material wealth which is available for the expansion of production in a society in which the working class owns the means of production, and can expand production to meet social need in accordance, not with the laws of the market, but with a scale of priorities consciously determined by the workers. To use the same word for both of these things, or to describe one as a “transformed” form of the other, is to lay the basis for enormous confusion: which is, of course, why the revisionists do it.

Yang tells us that: “The fundamental principle of Marxist political economy tells that a production relationship always relates itself with matter and finds its expression in matter.” In fact what Marx said was that in the commodity system relations between people are expressed as relations between things. He called this the fetishism of the commodity relationship. Far from asserting that it is common to all production relationships, he maintained that it was not even common to all production relationships of exploitation. Production relationships in slavery and feudalism are transparent relations of exploitation between people. It is only in capitalism that this social relationship is mystified into a relation between things. It is certainly not the case that under socialism social relations in production will be fetishised into relations between things (See Capital Vol. 1 p. 71 etc.)

On the average rate of profit, Yang writes:

“I believe that we should not interpret average profit in an absolute sense. By average profit we simply mean a tendency toward equal profit in all departments”, but with individual and temporary deviations. “If for the sake of fixing the prices of products according to production prices we should mechanically put the rates of profit of all departments on an equal level, then contrary to our wish, we would actually go against the original meaning of average profit.”

The way the average rate of profit operates is as follows: here production of a given commodity is insufficient to meet the effective demand, demand increases the price, which raises the rate of profit, which attracts more capital to that line of production, which increases supply, which result in a lowering in the price and a reduction in the rate of profit. When effective demand is oversupplied the rate of profit falls to below average and capital is driven away from that line of production. Furthermore the competition between different enterprises in the production of a given commodity ensures an average efficiency of production in the various enterprises. Relatively inefficient production in a given enterprise results in a lower rate of profit.

The law of the average rate of profit “acts as a prevailing tendency only in a very complicated and approximate manner, as a never ascertainable average of ceaseless fluctuations”. (Capital, Vol. 3 p. 159)

It is clear that if each capitalist was simply allocated a share of the total surplus value proportionate to his invested capital, though he would be getting his average rate of profit, the law of the average rate of profit would not be performing its function. The capitalist would get his average rate of profit regardless of the relative efficiency of production in his enterprise, and of whether effective demand for the commodity he produces is being oversupplied or undersupplied. The average rate of profit will then not carry out the function of expanding production where effective demand is undersupplied, and restricting it where it is oversupplied.

Yang says that there should be differences in profit rates:

“The difference of various departments with respect to average profit should be determined mainly according to technological process and concrete conditions of production; it is not yet equivalent to the supply and demand function of price...it would be best and probably more beneficial to social production if the equilibrium function of price were realised through sale price and not mixed up with production price.”

His scheme is that the production price should be fixed by the state “mainly according to the technological process and concrete conditions of production”, while the actual selling price should “regulate the supply and demand relationship”. He does not explain how the law of the average rate of profit is to carry out its function if “production price” is bureaucratically determined and is sealed off from the selling price. Yang must know perfectly well that the law of the average rate of profit can only perform its proper functions when prices are determined by an operational market.

Yang’s article shows that he was a fully fledged revisionist, not only abreast of the more advanced revisionist economists in Russia and Eastern Europe, but ahead of many of them. And it is clear the he exercised considerable influence among economists. A reply to Yang, published two years later in the Peoples Republic of China will be dealt with next month.

(IRISH COMMUNIST FEB. 1970)

## **ECONOMIC THEORY IN CHINA**

### **Part two**

#### **TS’AI CHIEN-HUA**

An article by Ts’ai Chien-Hua, “Refuting the Production Price Theory of Comrade Yang Chien-pai and others”, was published in Economic Research, 1965, No. 1. It will be seen from the extracts which follow that Ts’ai’s criticism of Yang is substantially the same as the ICO criticism of the Russian and East European revisionist “production price” theories in “Marxism and Market Socialism”.

“Since 1963, Cde. Yang Chien-pai et al have written a number of articles openly propagandising the existence of average profit and production price in socialist economy ...I do not agree with Cde. Yang Chien-pai and others’ version of ‘production price theory’ because it contains a grave theoretical fallacy and would seriously impair our socialist economic development if it remain unchallenged.”

“Those who advocate the production price theory hold that since average profit and production price ‘come into being under the condition of socialised large-scale economy’, and since socialist economy also ‘belongs to the category of socialised large-scale economy,’ average profit and production price are objective economic categories inherent in socialised large-scale economy.

“It is not difficult to see that from the very beginning those who advocate the production price theory take an entirely antagonistic position against Marxism. As we all know, the objective of political economy is to study actual production relations; “economic categories are only the abstract expressions of these actual relations, and these expressions remain true only when the relations exist.” (Marx). Average profit and

production price cannot be any exception, either. Without any prejudice, a study of the average profit and production price theory created by Marx can only reach this conclusion: average profit and production price are capitalist production relations. Needless to say, in expounding average profit and production price, Marx was analysing capitalist production relations. He also clearly pointed out that the exchange (of commodities) according to price of production will become necessary when capitalism develops to an advanced stage.” (Capital Vol. 3) Marx seemed to have anticipated that some people would find this question difficult to understand, so he painstakingly wrote these ‘important words’: ‘The whole difficulty begins as follows: commodities are exchanged not simply and purely as commodities, but as products of capital. From the total amount of surplus value, the capitalists demand a proportional share, equal to the share of capital they advanced.

“We all know that the purpose of capitalist production is to make profit. As far as the capitalist is concerned, he is indifferent as to whether the capital is used for purchasing means of production or labor, whether it is used for this or that commodity, or whether for one or two departments. All he cares about is his social prerogative to pocket a share of profit proportional to the capital he advanced. Hence, in spite of the differences between departments in the “organic composition of capital and in the rates of turnover of circulating capital, and thereby widely different in absolute profit rate, ‘each and every capitalist will enjoy a proportional share in the total social capital.’” (Capital, Vol. 3) This “prerogative” is realised through competition; that is, the capital is constantly moving according to the change of the direction of profit rate, and then the forces of supply and demand will eventually bring different profit rates to equilibrium. Obviously, both the origin of the problem and the entire procedure of change are decided by capitalist production relations.”

“From the historical process of the origin and development of average profit, it can also be seen that average profit only maintains a cause-and-effect relationship with capital production relations. The oldest form of capital is commercial capital. As soon as commercial capital appeared, average profit was born. (ibid) Following the development of capitalism, when all labor power belonged to the capitalists, and when capitalist production held the dominant position, the law of average profit began to play a vital role in society. As soon as capitalist production relations perish, the law of average profit will also withdraw from the stage of history. This shows that the processes of development and destruction of average profit are entirely the same as the processes of development and destruction of capitalist production relations. There is no such relationship with socialised large-scale economy.

“Though socialist production is socialised large-scale production, and there is a complicated division of labor and intimate relations among the various departments, socialist means of production are still under public ownership, and the purpose of production is no longer to make profit but to satisfy the needs of the workers in their material and cultural life as well as the demand of the revolution. Although commodity, exchange still exists (no matter between which departments such an exchange occurs), the products participating in the exchange are invariably considered the products of labor and not the products of capital. The goal of exchange is to supply each other with what they need in use value, to maintain fraternal mutual aid and cooperation, and to make joint efforts in promoting the upsurge of socialist economy, not as capitalist exchange which is for the purpose of realising surplus value.

“Hence, although technical composition and the length of production process differ in the various departments, and their products are sold not according to production prices and the capital profit rates for various departments are not equal, difference in profit rate is not an important matter. This is particularly true in the system in which the whole people own the means of production, in which the state has a unified control of capital, fixes prices, and allocates products, and the various departments engage in productive activities under the unified planning of the state. Apart from taking out respective portions of the profit as enterprise bonus funds according to state stipulations, the departments hand over all their profits to the state treasury at the end of the production process. Under such conditions, the difference in profit rate among the various departments is even less important. Hence, under socialist production relations there exists no social demand or force for the equalisation of profit or for value to be transformed into production price.”

Ts’ai draws attention to the confusion of concepts on which revisionism always thrives. (In Ireland the best example of how pseudo-Marxism uses conceptual confusion as a theoretical weapon for disrupting working class politics is

given by the “Internationalists”: or the “Irish Communist Movement” (Existentialist:) as they now call themselves. The technique is to take a Marxist category and blur its meaning so that instead of functioning as a hard and precise analytical tool for dealing with objective reality, it has the effect of engendering confusion in the mind of the person attempting to use it.)

“Comrade Yang Chien-pai and others seem to have realised that their method of analysis, which entirely ignores production relations, is utterly incompatible with Marxism. Consequently, they have no alternative but to camouflage their own viewpoint by superficially acknowledging that “the formation of price is decided by definite production relations”. However, after their explanation was made, the so-called production relations disappeared once and for all. The production relations they talk about are merely this: socialised large-scale economy “also comprises the production relationship, that is, men’s labor relationship in the process of production”. This can only be called a ‘perverse argument’. Socialised large-scale economy is, in fact, another way to present socialised large-scale production. It lies in the category of production power. The usual presentation brought forward by classical Marxist writers in analysing the contradiction between capitalist production relations and production power is the contradiction between the socialisation of production and the private ownership of means of production. If we follow Comrade Yang Chien-pai’s logic, would this not become a contradiction between production relations and production relations? To cover up a mistake by stealthily substituting one concept for another can only make the matter worse.”

This practice of confusing productive forces and productive relations has become a standard device of modern revisionism. It has been a device of trotskyism since the 1930s. When trotskyism equates nationalisation and socialism what it is doing in effect is equating the socialisation of production (of the productive forces) with socialist production relations. The social character of production, the social interdependence of all production, must continuously develop in any modern economy, capitalist or socialist. But the social character of the production process is far from being the same thing as socialist production relations. Even though production is social it is not necessarily owned by the working class. And even when certain spheres of social production are collectively owned by the capitalist class (nationalised) they are still not owned by the working class. (See this pamphlet, section Marx & Engels on The Commodity, sub-section Socialised and Socialist Production.) Summing up the position, Ts’ai says:

“To preach equal rate of profit and production price theory in socialist economy, to determine price, and to use the rate of profit as a criterion of investment and as a measure of management efficiency are to let profit guide all economic activities, to substitute the purpose of capitalist production for the purpose of socialist production, and to replace socialist economic doctrine with capitalist economic principles. Should we really adopt the production price theory, all socialist enterprises would turn into capitalist enterprises, and socialism would degenerate into capitalism...”

“...to implement the production price theory, is to negate the system of socialist ownership and the system of planned economy. The socialist economy is an organism developed on the basis of unified economic planning. Its foundation is public ownership, and its purpose is to produce goods to satisfy social demand. But the theory of production price contends not only that the price of products is to be determined by the price of production but, in order to carry out expanded reproduction, the rate of profit in each department is to be fixed according to the amount of capital advanced. In effect, this requires that individual departments and enterprises retain the profit they earned. By withholding the fruits of production, they are denying the state’s ownership of means of production.”

“...the production price theory is incompatible with the production campaign, which calls upon the broad masses to emulate and learn from each other, to catch up with the advanced, and to help those who lag behind. This campaign calls for all-out emulation, not only in technique but also in economic activity, not only in proletarian politics but also in ideology. It is not only a production campaign but also a political campaign. On the other hand, if we are allowed to let profit rates be the guiding principle of the campaign, it would, turn the campaign into a purely economic drive for profit.”

“...if those who advocate production price theory had their way, our country would never be able to build up independent sovereignty with a socialist national economic system. The use of capital profit rate as the

guide to economic activities would mean that in the various departments and areas of the national economy questions such as what should be developed and what should not, which is to be stressed and which generalised, would all have to be determined according to the rate of profit...How then could it be expected to build up anything like an independent, socialist economic system? Moreover,...the irregularities and other undesirable elements left over by the old society would survive for ever. Those departments and areas originally using comparatively more capital would get still more capital for development, whereas the weak ones, especially those in the remote areas and national minority regions, would never be able to get rid of their backward economies.”

In the quotes given so far the argument is perfectly clear and correct. Production prices are shown to be caused by capitalist competition and not by large-scale production as such, and they are shown to imply fragmented, private ownership of enterprises, the expansion of each of which depends on the profit realised by it. But, there are other, confused, features in the article, of which the following is an example:

“We have never underestimated the role of social capital in social production. The more advanced technique is, the more important role it plays. Under socialist conditions...it is necessary to invest not only ever larger amounts of live labour, but also ever increasing amounts of materialised labour. This cannot be achieved without a certain amount of capital. However, it is one thing for capital to play an important role in social production; it is something else that surplus labour (profit) should be distributed proportionally according to capital. As was stated before, if money is disbursed as capital, it possesses the character of a capitalist and thereby acquires the social right of receiving a share of profit proportional to the amount of capital. Under the social system, however, to disburse capital in advance is merely to prepare the material conditions – i.e., the means of subsistence and tools – for social production, and therefore there is no longer the social right nor the demand for a share of profit proportionate to the attained capital. Why should people distort the nature of our socialist capital and arbitrarily classify it as capitalist capital?”

The point is that, in Marxist terms, there can be no such thing as “socialist capital”. If it is capital it cannot be socialist. If it is socialist it cannot be capital. As was explained last month, capital is not merely accumulated means of production. It is only when the capitalist class uses its monopoly of the means of Production to exploit the labour of the working class that the means of production can be regarded as capital. Capital is accumulated surplus value, not merely accumulated means of production. It is a social relationship between classes, not merely an accumulation of things. If the working class seizes the means of production from the capitalist class, and uses them as “the material conditions for social production”, the means of production cease to function as capital in the Marxist sense. Bourgeois economic theory, however, equates capital with means of production. It is only in this vulgar bourgeois sense that the means of production in a socialist economy could be described as capital.

A second important feature is the alternative proposed to the production price theory. Ts'ai goes into the question of simple commodity production, i.e. a market system of small scale production where the means of production are owned by the workers (craftsmen) individually. Where every producer is his own boss, where the division between ownership of the means of production and labour has not yet developed, commodities are regarded as products of labour. It would still be the case that the carpenter, the smith, and the tailor would require different amounts of means of production for carrying out their activities. But their commodities would be regarded as products of labour, not products of capital, and their prices would, express their actual values: the value of the labour and used up materials in them. Each craftsman would tend to realise the same rate of surplus measured over his “wages”, but the rate of surplus measured over the total invested “capital”, (as Marx explained, petty bourgeois production can only be described in terms of capitalist production, even though it is not yet capitalist: thus the popular conception of the petty-bourgeoisie as “his own boss” is perfectly correct. Petty-bourgeois production can only be described in terms of the bourgeois production to which it gives rise) would vary considerably from case to case depending on the technical requirements of the production process. That is to say, the rate of profit would vary if measured in the capitalist way, but would tend to equality if measured simply over wages (in capitalist production the latter would be the rate of exploitation). The following is the passage in Marx to which Ts'ai refers:

“Suppose, the labourers themselves are in possession of their respective means of production and exchange their commodities with one another. In that case these commodities would not be products of capital. The value of the various means of labour and raw materials would differ in accordance with the technical nature of the labours performed in the different branches of production. Furthermore, aside from the unequal value

of the means of production employed by them, they would require different quantities of means of production for given quantities of labour, depending on whether a certain commodity can be finished in one hour, another in one day, and so forth. Also suppose the labourers work an equal average length of time...In such a case, two labourers would, first, both have replaced their outlays, the cost-prices of consumed means of production, in the commodities which make up the product of their days work. These outlays would differ, depending on the technical nature of their labour. Secondly, both of them would have created equal amounts of new value, namely the working-day added by them to the means of production. This would comprise their wages plus surplus-value, the latter representing surplus-labour over and above their necessary wants, the product of which would however belong to them. To put it the capitalist way, both of them receive the same wages plus the same profit, or the same value, expressed, say, by the product of a ten-hour working-day. But in the first place, the values of their commodities would have to differ. In commodity 1, for instance, the portion of value corresponding to the consumed means of production might be higher than in commodity 2 ... The values of commodities 1 and 2 are, therefore, very different ... The rates of profit would also differ considerably for 1 & 2 if we take the rate of profit to be the proportion of the surplus-value to the total invested means of production ... But for equal working periods the surplus value would be the same for 1 & 2, or, more precisely, since 1 & 2 each receive the value of the product of a day's work, both of them receive equal values after the value of the invested "constant" elements has been deducted ... If labourer 1 has greater expenses, they are made good by a greater portion of the value of his commodity, which replaces this "constant" part. and he therefore has to reconvert a larger portion of the total value of his product into the material elements of this constant part, while labourer 2, though receiving less for this, has so much less to reconvert. In these circumstances, a difference in the rates of profit would therefore be immaterial...

"The exchange of commodities at their values, or approximately at their values, 'thus requires a much lower stage than their exchange at their' prices of production, which requires a definite level of capitalist development" (Capital, Vol. 3, p. 172/4).

Tsai then argues that: "Although commodity exchange still exists, ... the products participating in the exchange are invariably considered the products of labour and not the products of capital". It would appear from this that he is opposing to Yang's view that production prices are required in socialist production, the view that socialist prices should be the prices of small scale commodity production: that commodities would return from functioning as products of capital to functioning as products of labour. If that is so, then in this respect the development of socialist economy would involve the re-establishment of petty bourgeois characteristics on the basis of large-scale industry.

There is a fairly widespread view that the labour theory of value implies that commodities ought to sell at their actual labour values, and would do so in a socialist economy. In fact, it implies nothing of the kind. The labour theory shows that labour is the source of value; that the law of value determines the functioning of market economies, and determines prices even when prices deviate from of production. There is no implication that in socialist production, prices would express actual values, or "true values", or any other kind of values. Marx's conception was that the socialist revolution would lead to the abolition of the entire commodity system.

It is impossible on the evidence available to determine the significance of the negative aspects of Tsai's article (which, judging from available evidence, represents the highest level of Marxist political economy in the CPC). These negative aspects (socialist capital, and simple commodity prices) are in themselves characteristic of petty bourgeois socialism. But it is impossible to determine their significance in the actual struggle going on in China. At best, however, they are a serious weakness in the political equipment of the revolutionaries.

In none of the articles available to us is the political economy of Khrushchevism analysed. The whole controversy goes on without reference to Stalin's "Economic Problems", the most advanced work of Marxist political economy. The "CPB (ML)" (or Birch/Ash group) in Britain maintains that Stalin's work forms the basis of the revolutionary position in China, but it is notable by its absence even in specialist political economy. Even in the best articles confusion exists on basic questions which would not exist if the revolutionary position was based on Stalin's work, and in fact was a further development of it, as the "CPB" maintains. The existence of market relations in socialist production is generally assumed, but the economic cause of these market relations is nowhere dealt with. In view of the historical experience of the struggle between capitalism and socialism during the past twenty years, this fact

alone must be taken as an indication of serious weakness in revolutionary politics in China (a weakness which has already had negative effects in the international Communist movement).

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