

THE SOVIET UNION

Political Economy

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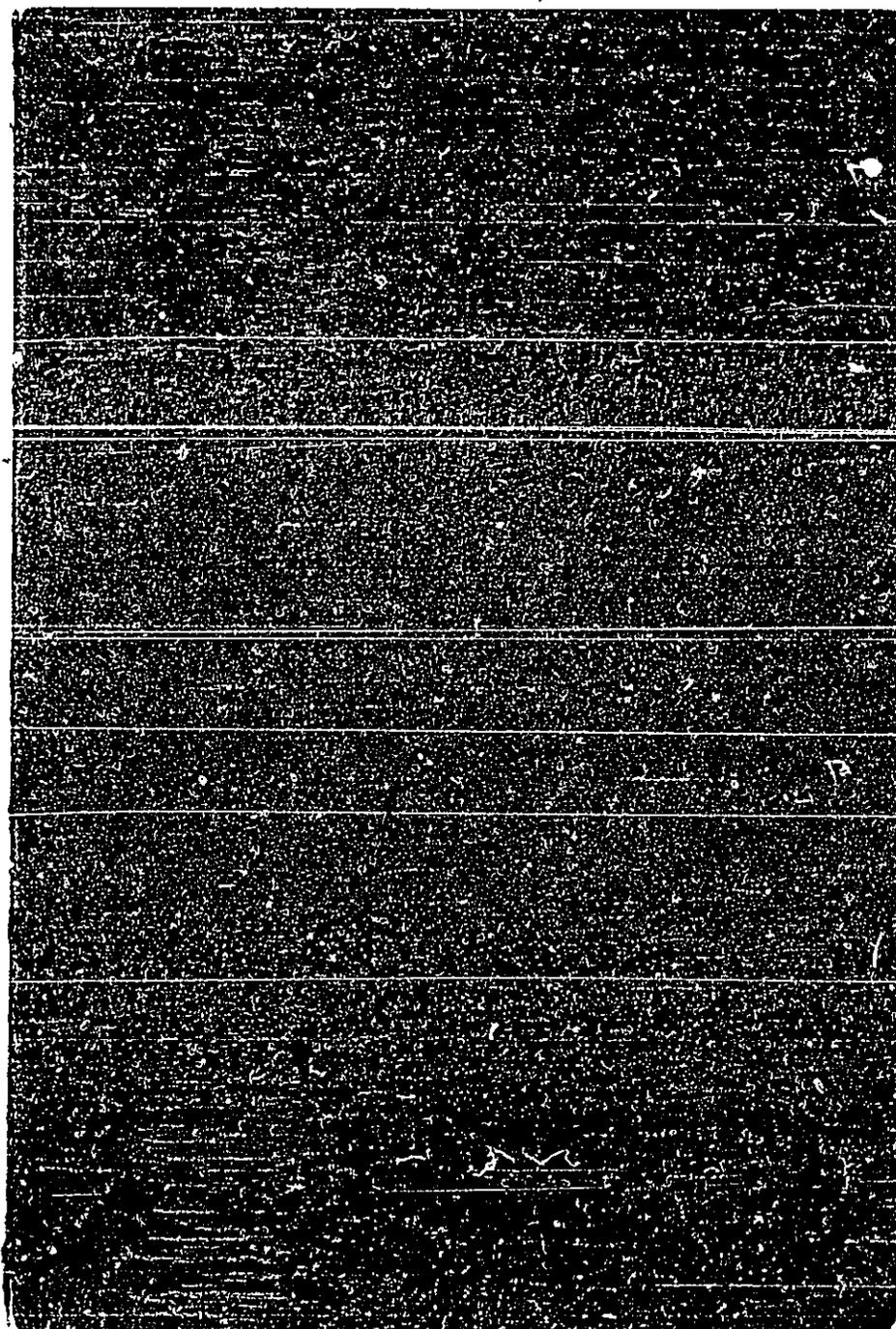
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TEACHING OF ECONOMICS IN THE SOVIET UNION¹

from the Russian journal *Pod Znamenem Marxizma**

Translated by RAYA DUNAYEVSKAYA†

Editor's Note—Partial or abbreviated translations of this Russian article have been published before, one by *Science and Society*, another by *The New York Times*. Considerable interest was aroused and widely differing interpretations were offered. Without the full context, however, interpretations are apt to be erroneous. Thus, it was felt desirable to make an unabridged translation available.

A comment by Professor Landauer was published in the June issue of the *Review*; another by Miss Dunayevskaya is contained in the present issue; further discussions are planned for the December issue.

In accordance with a resolution of the All-Union Committee on Higher Education, the teaching of political economy in the higher academic institutions of our country has been restored in the past academic year. Under present conditions grave and significant problems confront us in the teaching of political economy. Our colleges should thoroughly train graduates who are specialists in economics. They will have tremendous tasks to accomplish by giving the fullest aid to the military front in all branches of the national economy, and also by reconstructing the economy which has been destroyed by the German fascist scoundrels. The students of today are the cadres of the Soviet intelligentsia of tomorrow. They must function in an epoch of great transformations, of extraordinarily rapid unfolding of events, in a period of an unusually complex interweaving of political and economic problems. In the midst of the great patriotic war of the Soviet people against Hitlerite Germany, it is especially important that our cadres are fortified with Marxist-Leninist theory which arms us with a clarity of purpose, an unshakable faith in the victory of our just cause, and an understanding of the laws of social development, in-

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†The translator is indebted to Messrs. Alexander Gerschenkron and Evsey D. Domar for rechecking the translation against the Russian original. The responsibility for the translation as a whole is, however, entirely that of the translator.

¹The title, literally translated, reads: "Some Questions of Teaching Political Economy."

cluding a profound understanding of the laws of war, its course and tendencies.

Political economy occupies a very prominent place in the study of Marxist-Leninist theory. It is sufficient to recall the well-known statement of Lenin that Marx's economic teachings are the deepest, most comprehensive and specific confirmation and application of Marxist theory.

The instruction of political economy in our colleges has been renewed after a lapse of several years. Before this interruption, the teaching of political economy as well as the existing textbooks and the curricula suffered from serious defects. These defects, which even then were exposed in one of the decisions of the Central Committee of our Party, resolved themselves into this: political economy all too frequently was transformed from a general historical science which studies the living tissues of reality into a collection of antiscientific abstractions and lifeless schemes. By this same token, the study of political economy, which should play a leading rôle in the development of a world-outlook on the part of the builders of socialism, which should inculcate love of our Soviet land and hatred toward its enemies, was often turned into a tedious duty for students.

The publication of *A History of the Communist Party of the Soviet Union (Bolsheviks), (Short Course)*,² an encyclopedia of basic knowledge in the field of Marxist-Leninist theory, armed all ranks of scientific workers, including economists, giving them a model and example for reconstructing their entire work. In accordance with a directive of the Central Committee of our Party, a great work was accomplished by construction of a short course of political economy. In the course of this work the Central Committee gave a number of the most important, fundamental formulations of policy and guidance concerning the most deep-rooted questions of political economy.

The teaching of political economy in the past has had several defects. First of all, the teachers of political economy failed to give a clear, complete and precise definition of the *subject of political economy*. Often they did not even pose to themselves the task of giving a definition of the subject of political economy that would embrace all its aspects. And yet a correct summation and generalization of various statements of the classicists of Marxism-Leninism would have been sufficient to resolve this task.

The founders of Marxism, who have laid new paths in science, char-

²New York, Internat. Publishers, 1939.—Translator

acterized the subject of political economy from this or that aspect, depending on the point of view from which they approached this question in a particular context.

In his preface to the third volume of *Capital*, Engels warned the readers against the misapprehension "that Marx wishes to define where he is only analyzing." In this connection Engels pointed out: "It is a matter of course that when things and their mutual interrelations are conceived, not as fixed, but as changing, that their mental images, the ideas concerning them, are likewise subject to change and transformation. . . ."

It is precisely those definitions of political economy which are subject to "change and transformation" that are encountered in a number of the works of the founders of Marxism, sharpened polemically by opposition to dying, obsolete and erroneous concepts.

Thus, for example, Marx showed that the starting point of political economy is the "socially-determined production of individuals" (*Critique of Political Economy, Introduction* [1935 ed.], p. 9).³

It is well known that production has two aspects: technological and social. Unlike the natural and technological sciences which study the technical side of production processes, political economy investigates the social aspect of production, the social organization of production. In other words, it studies those social relations which are formed between people in the sphere of production.

In this connection Lenin showed that "political economy is not at all concerned with 'production' but with the social relations of people in production, the social structure of production" (*Sotchineniia*, T. III, c. 36).⁴

The social organization of production embraces both production and distribution, exchange (in the societies where it exists) and consumption (in its social rôle). To use an expression of Marx, production, exchange, distribution and consumption represent "members of one entity, different sides of one unit" (*Critique, Introduction*, p. 23).⁵

Of all these, production is the primary one. This follows from the simple circumstance that only an article which has been previously produced can be distributed, exchanged and consumed. The social

³*Capital*, Vol. III (Chicago, Kerr, 1909), p. 24. All references to *Capital* will be to the Kerr edition.—Translator

⁴This specific phrase does not appear in the standard English translation by N. I. Stone. It apparently is the same phrase as "production by individuals as determined by society." (*A Contribution to the Critique of Political Economy, Introduction*, p. 265.)—Translator

⁵*Works*, Vol. III, Russian ed., p. 36.—Translator

⁶Marx, *Critique of Political Economy*, p. 291.—Translator

laws of production themselves determine the character of the remaining processes: a specific mode of production conditions a specific mode of consumption, distribution and exchange.

The definition of political economy formulated by Engels is familiar: "Political economy, in the widest sense, is the science of the laws governing production and exchange of the material means of subsistence in human society" (*Anti-Dühring*, State Publishing House, 1938, p. 151).⁷

Having given this definition, Engels shows, incidentally, that production can occur without exchange. In another place he defines political economy as a science "of the conditions and forms under which the various human societies have produced and exchanged and on this basis have distributed their products" (*ibid.*, p. 155).⁸

One of the definitions of political economy approved by Lenin describes it as a science which "studies the social relations of production and distribution in their development" (Lenin, *Sotchineniia*, T. II; c. 393).⁹ In this connection Lenin showed that political economy represents a "science of the historically developing structures of social production," that it gives "fundamental concepts about the different systems of social economy and about the basic characteristics of each system" (*ibid.*, pp. 393, 394).

Under old methods of teaching, it frequently happened that some particular statement by the old masters of Marxism-Leninism concerning the subject matter of political economy was lifted out of context, and an attempt was made to construe it in a topsy-turvy manner. Therefore it is extremely important to formulate a definition of the subject matter of political economy which will summarize all important statements of the classics of Marxism-Leninism on this subject and which will prevent misunderstanding and false interpretations. Such a definition is: *Political economy is the science of the development of men's social-productive, i.e., economic relations. It explains the laws which govern production and distribution of the necessary articles of consumption—personal as well as productive—in human society in the different stages of its development.*

In the past the teaching of political economy was in error in its treatment of the *primitive communal system*. These errors consisted in this, that, firstly, it violated the principle of historical materialism,

⁷ Herr Eugen Dühring's *Revelation in Science (Anti-Dühring)*, (New York, Internat. Publishers), p. 167.—Translator

⁸ *Ibid.*, p. 167.—Translator

⁹ *Works*, Vol. II, Russian ed., p. 393.—Translator

according to which a definite form of production relations is determined by the character of the productive forces; and, secondly, it permitted an idealization of the primitive communal system in clear contradiction of historical reality.

The basis of the erroneous interpretation of the development of the primitive communal order was the familiar remark of Engels in the introduction to *The Origin of the Family, Private Property and the State*, to the effect that in the period preceding civilization, the social structure was determined by the conditions of the production of material goods as well as by the conditions of the production of man himself, *i.e.*, by the forms of the family. The basic law of historical materialism, on the contrary, consists in this, that the production relations of men are determined by the character of the productive forces at the disposal of man at a given stage of the development of society. History teaches us that this law functioned in the primitive epoch as fully and entirely as in all subsequent stages of social development.

The above erroneous remark of Engels contradicts the many entirely unequivocal statements of Marx and Engels himself that the development of the productive forces is the basis of production relations. It is in no measure consistent with the concrete analysis of the development of primitive society which is contained in Engels's own book. Thus there is not the slightest basis for departing from the monistic view of history which Marx and Engels worked out and replacing this monism by dualism even if only in its application to the primitive communal system.

For many thousands of years the extremely crude nature of the tools of labor and extremely primitive means of obtaining the means of subsistence made common, collective labor necessary. Only by common effort could human beings cope with nature; only by common work could they assure themselves an existence. Social collective labor in the field of production gave rise in primitive society to social, collective property in land and other means of production as well as in the products themselves. Primitive people worked in common, possessed the means of production and the products of their labor in common and consumed in common that which was obtained.

The development of the productive forces at the disposal of men conditioned the whole course of development of the production relations of primitive society. The transition to the tribal community, *i.e.*, the change from the matriarchal to the patriarchal family, the disintegration of the tribal structure, the rise of private property, exchange, division of society into classes—all these processes are fully explained by the course of development of the productive forces of

communal society, the achievement of methods of obtaining the means of life.

Another mistake which crept into our teaching of political economy in the field of primitive communism was the romantic idealization of that system, which led students to ignore the idea of the progressive character of the development of human society. The transition from the primitive social structure to class society was looked upon not as a necessary step in the path of social progress, but as the Fall of Man, an expulsion from Paradise. In this connection there arose the false notion of communism as a singular return to the social system under which man lived in primitive times. It is entirely clear that such an interpretation contradicts the letter and spirit of the entire Marxist-Leninist teaching.

The classics of Marxism-Leninism, while exposing the bourgeois myth of the eternal nature of private property, classes and exploitative systems, showed scientifically that for thousands upon thousands of years man lived in a system of primitive communism, ignorant of all these "blessings" of civilization. But at the same time the classics of Marxism-Leninism taught us to see the historical limitations of the primitive communal order, which corresponded to an extremely low level of development of productive forces, which possessed tools of primitive character and a most miserable standard of existence. At a certain stage, the development of the primitive communal order became an obstacle to further social progress. It had to yield its place to a new method of production, which gave more latitude for the development of the productive forces, and it was removed.

Lenin stated that no Golden Age had ever existed, that primitive man was crushed by his wants and the hardships of the struggle for existence. Marx showed that in primitive society the collective mode of production was "the result of the weakness of the individual and not of the socialization of the means of production" (*Sotchineniia*, T. XXVII, c. 681).¹⁰ It is also known that in primitive society the personality of the individual was overwhelmed by society—by the group, the gens. The tools of production were so crude, so unproductive that only by collective labor could the people sustain their existence. The unity of the worker and his means of production occurred here, as Marx says, in a "childish form," unsuited for the development of labor as social labor and the productiveness of social labor" (*Teorii Pribovochnoi Stoimosti*, T. III, State Publishing House, 1932, c. 308).¹¹ Labor yielded such meager fruit that equality in consumption was a

¹⁰ *Works*, Vol. XXVII, Russian ed., p. 681.—Translator

¹¹ *Theories of Surplus Value*, Vol. III, Russian ed., p. 308.—Translator

necessity; had any one received a somewhat larger share of the social product, there would not have been enough left to satisfy the hunger of the other members of the primitive society, who then would have perished from starvation.

This shows that primitive communal society was not based on the socialization of well-developed means of production, but on a community of property which resulted from the primitive, undeveloped state of the instruments of labor, and from the extreme weakness of the individual, for whom the strong, inseparable bonds with society was his only safeguard from destruction. Thus the primitive communal structure and contemporary socialism and communism, which are based on the socialization of highly-developed means of production, assuring society a tremendous power over nature and full development of the individual in the conditions of collective brotherhood, are as different as the sky is from the earth.

The teaching of political economy in the past was at fault because the *historic principle*, which was more or less observed in the study of the primitive communal order, the slave-holding system and the feudal system, was vulgarly violated in passing to the study of capitalism. In the programs and textbooks the sections devoted to capitalism were constructed as a simple copy of the structure of Marx's *Capital*. This method of teaching lost sight of the fact that Marx did not write *Capital* as a course for students, or even less as a popularization for beginners in the study of political economy, but as a gigantic work of research which paved new roads in social science. From this it is clear that to follow mechanically the structure of Marx's *Capital* in a study of the principles of the given science can only cause harm.

In order to follow the historic principle in the teaching of political economy, the students must get a clear statement not only of the basic characteristics of the capitalist method of production but also of the origin of this mode of production. To follow the historic principle it is, of course, necessary first to study the historic processes. That means to study first the *genesis of capitalism*. Only after this can we proceed to the study of the *basic characteristics of this order*.

The chapter on "Coöperation" in Marx's *Capital* points out that: "A great number of laborers working together . . . in one place . . . in order to produce the same sort of commodity under the mastership of one capitalist, constitutes both historically and logically the starting point of capitalist production."¹² It follows from this that historically and logically the starting point of capitalist production is the

¹² *Capital*, Vol. I, p. 353.—Translator

workshop that belongs to the capitalist and in which wage-laborers are hired. Historically such a workshop appears first under capitalist manufacture (which, as is known, was preceded by simple coöperation, soon to be superseded by the division of labor). Consequently, Marx's statement must be understood to mean that capitalist manufacture itself is historically and logically the starting point of capitalist production.

In the history of the evolution of capitalism there was a whole period in which capitalist workshops existed only in the form of manufacture. As is known, Marx places the beginnings of the capitalist method of production in the 14th century, in the form of the capitalist manufactures in the Italian city-republics during the Middle Ages. In the 16th century capitalist manufactures were counted by the hundreds and thousands in the more highly developed countries and regions of Europe. And yet the transition from manufacture to the factory did not occur before the period of the industrial revolution in England, i.e., toward the end of the 18th and the beginning of the 19th century.

Thus an entire historic span which Marx called the *manufacturing period of capitalism* preceded the epoch of the domination of capitalist machine industry. Naturally the study of the manufacturing period of capitalism should precede the study of the basic characteristics of the capitalist method of production. Further, the study of the basic traits of capitalism must also be preceded by a knowledge of those processes which in history were conditions of the rise of capitalism. This refers to the historical prerequisites of capitalism: the rise of a class of wage laborers on the one hand and the formation of large units of capital on the other. This precisely is the primitive accumulation of capital.

Marx, it is well known, begins his *Capital* with an analysis of a commodity. This exposition serves him as the necessary prerequisite for the discovery of the secret of surplus value, which is involved in the transformation of labor power into a commodity. In order to expose the peculiarities of this unique commodity—labor power—Marx subjects to a preliminary analysis the bases of commodity production in general.

The sequence that Marx follows in his exposition of problems in *Capital* is a natural consequence of the fact that he was blazing new trails in a science in which his aim was to reconstruct the science of political economy. But it is wholly obvious that in studying the fundamentals of this science and particularly so in mastering an elementary course, it is impossible entirely to preserve this logical order: this would be harmful pedantry and opposed to the necessity of teaching political economy as a general historical science.

Commodity production, exchange and money precede the appearance of a capitalist production. The beginnings of commodity production arose many thousands of years before the capitalist era. By the end of the Middle Ages the production of commodities and the circulation of money had already reached a rather high degree of development. Nevertheless, commodity production becomes the dominating form of production and assumes an all-pervading character only under capitalism.

From this it follows that, if we teach political economy according to the historic principle, it is necessary to consider such categories as commodities and money not only in the section devoted to capitalism but also in the preceding parts of the course. One must discuss the rise of commodity production, and the historical steps in the development of exchange and the rise of money, even as early as in the study of the slave system. In the ensuing sections on the feudal order, and later on in our study of the disintegration and decay of feudalism, we must be prepared this soon to observe a more advanced development of simple commodity production, the characteristics of a commodity, its use-value and value, the socially-necessary labor time. The complete analysis of the commodity and especially the characteristics of the dual character of the labor incorporated in the commodity should be given in the treatment of the basic traits of capitalist production.

In his review of A. Bogdanov's *A Short Course of Economic Science*, Lenin approved the order of presentation adopted by the author "in the form of characterizations of consecutive periods of economic development." Lenin wrote:

Precisely in this way is it necessary to expound political economy. It may be objected, perhaps, that the author must thereby discuss the same theoretical topic (for example, money) in different periods and thus be repetitious. But this purely formal flaw is more than compensated by the basic merits of historical presentation: Moreover, is it really a defect? The repetitions are completely insignificant and are, in fact, useful to the student because he more easily assimilates particularly important postulates all the more surely. For example, the exposition of the different functions of money in different periods of economic development clearly shows the student that theoretical analysis of those functions is based not on abstract speculation but on painstaking study of actual conditions in the historic development of humanity. The presentation of separate, historically-demarcated structures of social economy thus becomes more coherent (*Sotchienskaia*, T.II, c.394).¹⁸

We must use this most significant indication of Lenin as a guide to the study of political economy as a general historical science.

¹⁸ *Works*, Vol. II, Russian ed., p. 394.—Translator

In the present circumstances of the great patriotic war against the German fascist brigands those themes which are devoted to the monopolistic stage of capitalism—imperialism—assume special significance. For the period of the World War, 1914-1918, Lenin showed that it is impossible correctly to define the character of the war without having grasped the fundamental question, the question as to the economic essence of imperialism. For a profound and complete understanding of the just, liberating nature of the war of the Soviet Union and its allies against Hitlerite Germany, it is of the utmost importance to be armed with the Leninist-Stalinist theory of imperialism in general and the Leninist-Stalinist analysis of the predatory, bestial nature of German imperialism in particular.

In the course of this instruction, it is necessary to expose the distinguishing peculiarities of the monopolistic stage of capitalism, to define its basic characteristics and show its historical place as the eve of the socialist revolution of the proletariat. We must pay due attention to a study of the discovery by Lenin, which was elaborated by Stalin, regarding the law of unevenness of economic and political development in the epoch of imperialism and the conclusion derived from this law concerning the possibility of the victory of socialism in one country. We have to demonstrate to students the tremendous theoretical and practical significance of the Leninist-Stalinist theory of imperialism, which is a direct extension of the analysis of the principles of capitalism presented by Marx in *Capital*.

Lenin characterized imperialism as monopoly capitalism, decaying or parasitic and moribund. It is necessary to bear clearly in mind the fact that this decay of capitalism which is manifested, incidentally, in technical stagnation, through retardation of technical progress by monopolies, does not at all exclude the fact that, as Lenin showed, capitalism as a whole develops and expands faster than in the preceding epoch. Likewise, one must keep in view the assertion of Lenin that imperialism is capitalism dying, but not yet dead.

Lenin showed that the domination of monopoly is linked with reactionary tendencies in the political sphere. Today the forces of reaction have found their most extreme incarnation in Hitlerite Germany. The history of mankind has never before seen such reaction, wild and benighted debauchery and hatred of humanity as distinguishes the plundering Hitlerite imperialism.

Lenin always emphasized that nihilism of any kind as concerns the question of democracy is entirely alien to the proletarian revolutionist. He wrote: "Socialism without democracy is impossible in a double sense: (1) The proletariat cannot achieve the socialist revolution un-

less it is prepared for this task by the struggle for democracy; (2) victorious socialism cannot retain its victory . . . unless it establishes concrete democracy" (*Sotchineniia*, T. XIX, c. 233-34).¹⁴

The difference between the structure of the state in bourgeois-democratic countries, on the one hand and fascist nations, on the other, is not at all a matter of indifference to the working class and to all progressive strata of present society. The Hitlerite régime is the embodiment of blackest reaction, barbarism and cannibalism. Hitlerite adventurers are the dogs of chase of the German plutocracy—they are the avid, blood-thirsty, rapacious mercenaries of the German Junker—landlords, financiers, bankers, monopolists, industrialists. Let us remember the words of Comrade Stalin, that the Hitlerites are the mortal enemies of socialism, the most evil reactionaries and Black-Hundred bands,¹⁵ robbing the working class and the peoples of the occupied countries of elementary democratic freedoms: "In order to hide their reactionary Black-Hundred essence, the Hitlerites vilify the Anglo-American internal régime as a plutocratic régime. But in England and in the U.S.A. there exist elementary democratic liberties, there are trade unions of workers and employees, labor parties and parliaments, whereas in Germany under the Hitlerite régime all these institutions have been destroyed. We need only to counterpose these facts in order to understand the reactionary essence of the Hitlerite régime and the entire falsity of the jabbering of the German fascists about the Anglo-American plutocratic régimes."

The most important topic in the teaching of political economy is, of course, the section on the *socialist system*. In accordance with the historic principle, this too must be divided in two parts, the first discussing the stages leading to the socialist mode of production, and the second devoted to the *fundamental characteristics* of this mode of production. The first part comprehends the period of the transition from capitalism to socialism, *i.e.*, to the first phase of communism. Here will be presented a description of the great economic transformations which have been effected by the Soviet power and which have led to the building of socialism in the U.S.S.R., *i.e.*, the first phase of communism. The second part will be concerned with a description of the socialist system of economy, its most important aspects and characteristics.

In accordance with the Constitution of the U.S.S.R., the economic

¹⁴ Lenin, *Collected Works*, Vol. XIX (New York, Internat. Publishers, 1942), p. 261. —Translator

¹⁵ "Black-Hundred bands" refers to the most extreme right-wing reactionary organizations, such as the notorious "Union of Russian People."—Translator

basis of the U.S.S.R. is the socialist economic system and socialist property in the tools and means of production, established through the liquidation of the capitalist economic system, the abolition of exploitation of man by man. Compared with the preceding systems of production, socialism is the highest stage of development of society. It has decisive advantages over the capitalist method of production.

The superiority of the Soviet system in peaceful economic conditions enabled the Soviet Union to wipe out centuries of economic and technical backwardness at a rate of development approximately ten times that of the most important capitalist countries. This has no historical precedent. Furthermore, the advantages of socialism over capitalism are especially evident in the steady rise of the material welfare and cultural level of the toiling masses.

The superiority of the Soviet order made it possible during the great patriotic war against the German-fascist invaders to withstand the attacks of the beast-like enemy, to upset his calculations, to deal the enemy blows of tremendous force and to proceed with confidence to the utter destruction of the Hitlerite war machine. The socialist economy of the U.S.S.R. withstood nobly all the trials of war. The unshakable morale and the political unity of Soviet society, which have been reared on the basis of the socialist mode of production in our country, frustrated all the adventurist hopes of the Hitlerites on a split between workers and peasants and the rise of strife and struggle among the nationalities in our country. The Soviet system saved our fatherland in the year of the greatest trials that fell to its lot.

In the study of the socialist mode of production—the process of its evolution and its basic traits—it is necessary, first of all, to elucidate the character of the economic laws of socialism. The key to an understanding of the economic laws of socialism is the rich experience in the practice of socialist construction, which is summarized and theoretically generalized in the works of Lenin and Stalin and in the Party decisions.

It is known that the different shades of enemies of socialism—bourgeois-economist wreckers, restorationists of capitalism from the camp of Trotskyist-Bukharinist agents of fascism—tried to extend the laws of capitalist economy to socialist economy. For their treacherous, counter-revolutionary purposes these slanderers distorted the nature of the social relations evolving in our midst, falsifying them and coloring them in the light of capitalist relations.

We need only recall those heinous theories which describe our enterprises, trade, money, banking, etc., as "state capitalism." The bourgeois restorers of capitalism of all hues infused the poison of disbelief in the success of socialism and spread the wretched idea that the very

same unchangeable laws of the capitalist economy which prevailed before, functioned also under the Soviet system, and that every attempt to break these laws could only lead to economic dislocations. This enemy position was utterly destroyed by our Party under the leadership of Comrade Stalin and was discredited by the rich practice of socialist construction and by the stupendous victories of socialism which hold their place in the history of the world.

With respect to the economic laws of socialism, many fundamental mistakes and faults often crept into the curricula and textbooks to political economy. There was often presented the superficial and erroneous idea that since the economic laws characteristic of capitalism disappeared with the liquidation of capitalism, there consequently are not and never can be economic laws in the socialist economic system. Often, in the courses on political economy, the questions on the socialist mode of production were elucidated in the so-called "excursuses" to the corresponding sections of the course. Moreover, these "excursuses" were composed in a very superficial and crude manner. Ultimately they resolve themselves into a conclusion that if under capitalism such and such a principle, such and such a law or such and such a category existed, then in the Soviet system of economy all these were necessarily absent, and the opposite was in effect. For example, after the sections on the law of value there were "excursuses" which showed that under Soviet conditions this law does not apply. Since such "excursuses" invariably followed the demonstration of every law of capitalism, then the student could only be left with the conviction that under socialism there is generally no opportunity for any kind of economic law to function.

Such an utterly erroneous approach made it essentially impossible to understand the real relations of the Soviet economic system since there can be no scientific knowledge if one recognizes no laws; no development in conformity with laws. At the root of the idea that there is no place in socialism for the action of economic laws, there lies the quite un-Marxist view that only those laws can be considered economic laws which manifest themselves independently of man's will and consciousness, which have the character of elemental conformity to an established law, functioning, as Marx once said, after the fashion of a house falling down on your head. This characterization of economic laws is quite in order in discussions on capitalist laws, but quite out of place when speaking of economic laws in general. Such an approach is a familiar by-product of the so-called restrictive definition of political economy which states that this science is concerned only with the capitalist order.

Actually, it is an elementary Marxist truth that no system of production can exist and develop without the operation of some kind of economic law. To deny the existence of economic laws under socialism is to slip into the most vulgar voluntarism which may be summarized as follows: in place of an orderly process of development, there is arbitrariness, accident and chaos. Naturally, with such an approach every standard of judgment of one doctrine or another or one practice or another is lost; there is lost the comprehension of the conformity of phenomena in our social development to established laws.

In reality, it is an elementary truth that a society, whatever its form develops in accordance with definite laws which are based on objective necessity. This objective necessity manifests itself differently under different forms of society. Under capitalism objective necessity, acts as an elemental economic law manifesting itself through an infinite number of fluctuations, by means of catastrophes and cataclysms and disruption of productive powers. Under the conditions of the socialist method of production, objective necessity acts quite differently. It operates as an economic law which is conditioned by the entire internal and external state of the particular society, by all the historical prerequisites of its evolution; but it is an objective necessity known to, and working through the consciousness and will of men, as represented by the builders of a socialist society, by the guide and leading force of the society—the Soviet state and the Communist Party, which guides all the activity of the toiling masses.

Thus the economic laws of socialism emanate from the real conditions of the material life of socialist society, from the total internal and external conditions of its development. But these laws are not realized spontaneously, nor of their own accord, but operate as recognized laws consciously applied and utilized by the Soviet state in the practice of socialist construction.

Socialist society sets up a task of making an active change in the conditions which were inherited from the past. It does not assume the responsibility of perpetuating these conditions but, on the contrary, tries to transform them, sometimes radically, in accordance with the basic task of the construction of socialism and further progress to a higher phase of communism. The economic laws of socialism are realized by means of the organized actions of the builders of the socialist society, their actions are directed toward preestablished goals and toward accomplishing the planned results. In this lies the fundamental distinction between the economic laws of socialism and those of capitalism.

Speaking of socialist society, Engels said in *Anti-Dühring*:

The conditions of existence forming man's environment, which up to now have dominated man, at this point pass under the domination and control of man who now for the first time becomes the real conscious master of Nature, because and in so far as he has become master of his own social organization. The laws of his own social activity, which have hitherto confronted him as external dominating laws of Nature, will then be applied by man with complete understanding, and hence will be dominated by man. Men's own social organization which has hitherto stood in opposition to them as if arbitrarily decreed by Nature and history, will then pass under the control of men themselves. It is only from this point that men, with full consciousness, will fashion their own history; it is only from this point that the social causes set in motion by men will have, predominantly and in constantly increasing measure, the effects willed by men. It is humanity's leap from the realm of necessity into the realm of freedom (pp. 296-97).¹⁰

The question of the character of the economic laws of socialism is naturally connected with the question of *the economic rôle of the Soviet state*. In all aspects of society, including economic life, the Soviet state has played a part essentially different from that of any other state. Some superficial observers, for instance, many foreign journalists and economists, try to reduce this difference to one of quantity only. The Soviet state, they argue, "interferes more" in economic activity than do other contemporary states. Obviously, the question is not that easily explained. There is a basic qualitative difference, the essentially different rôle of the state under socialism as compared to that under all preceding modes of production.

To be sure, under capitalism too the state often engages in the most serious intervention in economic life. Historically speaking, it is sufficient to recall the rôle of the state during the period of primitive accumulation. Having in mind the acts of the state in this period, Marx wrote that force is the midwife of the old society pregnant with the new. If we speak of the present period, it is enough to recite the numerous measures of all belligerent states, directed toward the subordination of the economy to the task of conducting the war.

Thus it would be comical and absurd to deny that under capitalism the state also can and actually does play a not unimportant rôle in economic life. But this rôle is limited by the fact that the entire economy is within the confines of private property, that the entire economy is based on capitalist private property in the means of production. The state can interfere and does interfere in actions of capitalists. This interference sometimes assumes a serious character and results in promoting interests of a small group of proprietors at the expense

¹⁰ Herr Eugen Dühring's *Revolution in Science*, p. 318.—Translator

of other groups, but the character of the interference is such that the general basis of the domination of private property remains in full force.

Under socialism the economic rôle, function and significance of the state have an essentially different character. The means of production are in the hands of the whole society as socialist property, and the preponderant part of the means of production is national property, *i.e.*, belongs to the Soviet state. Because of this the Soviet state executes a number of functions and tasks which by their very nature are alien to every other type of state.

The Soviet state is the most powerful economic force. It executes tremendous work of economic organization, embracing all aspects of the development of society. The planned administration of the national economy, management of the national budget, control over the measure of work and of consumption, provision for the economic requirements of the country's defense, protection of public property—the very listing of these most important functions gives a picture of the scope and the significance of the work executed by the Soviet state in the socialist system of national economy.

This work is colossal not only in economic construction in peace but in time of war as well. Such a huge undertaking as the transfer of industrial activity to the East, the evacuation of many hundreds of enterprises to Eastern districts, the establishment there of a great number of new enterprises, and the provision for their raw materials, labor power, cadres—all this would have been completely unrealizable under private ownership of the means of production. Only the advantages of the Soviet order opened the possibility of successful resolution of tasks of such a scale and significance. The Soviet system is the most progressive, the most advanced system. The study of the political economy of socialism should therefore fortify the students' feeling of Soviet patriotism, their boundless love for the Soviet fatherland and readiness to defend it at the price of their blood, and even their lives.

The understanding of the real nature and character of the economic laws of socialism must penetrate all the teachings of the whole political economy of socialism in the section devoted to the stages leading to the socialist mode of production as well as in that devoted to the basic traits of socialism.

In studying the evolution of the socialist order it is necessary to keep in view the fact that both of the gigantic transformations which assured the victory of socialism in the U.S.S.R.—*the industrialization*

of the country and the collectivization of agriculture—were laws of the socialist development of our society. After the Soviets achieved power in our country, the task that faced the Soviet nation was the transition of the U.S.S.R. from the paths of an agrarian economy with poorly developed industry and crude technological base to the tracks of industrialization, highly developed technologically and economically. This problem faced the Soviet nation not as a question which would permit of one solution or another, but as a question permitting only one solution: it was necessary to realize, and at a rapid tempo at that, the socialist industrialization of the U.S.S.R.

Without attaining the industrialization of the country, socialism could not have won out in the U.S.S.R. Our country would have been doomed to lose its national independence and become the prey of alien invaders. The course of the war against Hitlerite Germany reveals with entire clarity that our country could not have resisted an enemy armed to the teeth, had it not realized the Stalinist program of socialist industrialization, guaranteeing a highly-developed industrial base which provided the army with modern military equipment on a scale demanded under the present conditions of war.

Thus socialist industrialization was a law of socialist development of our society. This economic necessity was recognized in time by our Party and the working class, and was accepted by the Soviet state. It was placed as the foundation of the general line of our Party, of the Soviet power in the sphere of socialist construction.

The same is true of the collectivization of agriculture. Comrade Stalin showed that it is impossible for any considerable period to rest the Soviet power on two different bases: on the one hand, a large-scale machine industry and on the other, a small, atomized peasant economy. A tremendous revolutionary upheaval was necessary to bring the million-headed peasantry onto the tracks of large-scale *kolkhoz* economy, which is based on socialist property and collective labor, and the broad application of science and technology to agricultural economy.

The victory of collectivization and the liquidation of the *kulak* as a class signified the triumph of socialism in the country, and eradication of the causes which gave birth to exploitation of man by man. In the conditions of a patriotic war the enormous advantages of the *kolkhoz* system assured an answer to the food problem, even in exceptionally difficult circumstances when the enemy had succeeded temporarily in capturing several important agricultural regions of the country.

Thus the collectivization of agriculture was a law of the socialist development of our society.

There lies the heart of the problem regarding the economic laws which we learn when we study the development of the socialist order. These economic laws of socialism in their character, content, method of action are fundamentally different from the economic laws of capitalism. Such is the nature of the economic laws which we encounter in the study of the basic characteristics of the socialist method of production.

It is well known that socialist society cannot develop outside of the *planned administration of the national economy*, that socialism and planning are indissoluble, that planning lies at the base of our economic development. Socialism is inconceivable without a plan. Planned administration of the economy is the indispensable economic necessity for a socialist society.

Under capitalism the planned administration of the national economy is unrealizable because capitalism is based on private property in the means of production. Private property creates competition. It divides, atomizes separate parts of the economic organism of the country which, on the one hand, are bound in intimate economic interdependence and, on the other hand, consist of self-sustaining independent units. Under capitalism, chaos, anarchy of production, blind laws of the market dominate; they dictate such and such measures to individual capitalists and individual enterprises only through fluctuations in prices, changes in the conditions of sale, etc.

An entirely different picture is presented by the socialist system of national economy; the social property in the means of production unites the entire national economy into one whole. In these conditions the national economy of the country cannot avoid development according to plan; socialist economy cannot exist and develop except upon the basis of a plan which embraces the whole national economy. The planned character of socialist economy flows from the socialization of the means of production. A national economic plan for a socialist society is as much a necessity as the satisfaction of the most elementary needs of people.

Thus for socialism planned administration of the economy is not a question of volition or caprice but an objective economic necessity.

Distribution according to labor serves as another example. The guiding principle of social life under socialism is: from each according to his ability, to each according to his labor. In socialist society there is no exploitation and social property governs over the means of production. It is a society which has a level of development of the productive forces sufficiently high to be manageable to permit placing the productive forces in the hands of society and to abolish exploitation,

but not high enough to guarantee such a high productivity of labor, such an abundance of products as is required to realize the principle of distribution according to need, for the full satisfaction of all needs of people.

The question therefore remains: Under the given objective conditions of the existence of a socialist society, on what principle should distribution be based in this society? It is possible to give only one answer to this question: Distribution must be based on the principle of labor—products must be distributed among the members of society according to the quantity and quality of labor expended by each. If we should adopt any other principle of distribution—whether such other principle be one of equal distribution or distribution according to need—society could not normally function and expand.

Thus distribution according to labor is the objective necessity for a socialist society.

These examples once again confirm the conclusion that a socialist society lives and develops according to certain economic laws. At the root of these economic laws lies the objective economic necessity dictated by the totality of objective conditions of the life of society.

How do matters stand under socialism in so far as the laws and categories operating under the previous method of production are concerned? In former teaching practices there was widely current in the curricula and textbooks an entirely erroneous idea that from the first day of the socialist revolution all laws and categories of the economics of capitalism lose their force and cease to function. It is evident that the matter is much more complex.

In particular, in our instruction and textbook literature the incorrect idea took root that in the economics of socialism there is no place for *the law of value*. This idea clearly contradicts the numerous statements of the masters of Marxism and the whole experience of socialist construction. It is well known that the law of value began to operate long before the rise of capitalism; Engels estimated the "age" of this law to be some five to seven thousand years. After the abolition of capitalism, socialist society through its state subordinates the law of value and consciously makes use of its mechanism (money, trade, price, etc.) in the interests of socialism, in the interests of planned direction of national economy.

The notion that the law of value plays no rôle in socialism is, in essence, opposed to the whole spirit of Marxist political economy. Familiar statements of Marx and Engels show that they well understood that the matter is much more complicated. The idea that the

law of value automatically and mechanically disappears immediately after the transition from capitalism to socialism was alien to the founders of socialism.

In the *Critique of the Gotha Programme* Marx wrote thus concerning socialism—the first phase of the communist society:

What we have to deal with here is a communist society, not as if it had developed on a basis of its own, but on the contrary as it emerges from capitalist society, which is thus in every respect tainted economically, morally and intellectually with the hereditary diseases of the old society from whose womb it is emerging. In this way the individual producer receives back again from society, with deductions, exactly what he gives. What he has given to society is his individual amount of labor. For example, the social working-day consists of the sum of the individual hours of work. The individual working-time of the individual producer is that part of the social working-day contributed by him, his part thereof. He receives from society a voucher that he has contributed such and such a quantity of work (after deductions from his work for the common fund) and draws through this voucher on the social storehouse as much of the means of consumption as the same quantity of work costs. The same amount of work which he has given to society in one form, he receives back in another.

Here obviously the same principle prevails as that which regulates the exchange of commodities so far as this exchange is of equal values. Content and form are changed because under the changed conditions no one contributes anything except his labor and, on the other hand, nothing can pass into the possession of individuals except individual objects of consumption. But, so far as the distribution of the latter among individual producers is concerned, the same principle prevails as in the exchange of commodity-equivalents, i.e., equal quantities of labor in one form are changed for equal quantities of labor in another form (*Setchmenita*. T. XV, c. 274).¹⁷

In Book II of Volume III of *Capital* we read:

Storch expresses the opinion of many others, when he says: "The salable products, which make up the national revenue, must be considered in political economy in two ways. They must be considered in their relations to individuals as values and in their relations to the nation as goods. For the revenue of a nation is not appreciated like that of an individual, by its value, but by its utility or by the wants which it can justify."

In the first place, it is a false abstraction to regard a nation, whose mode of production is based upon value and otherwise capitalistically organized, as an aggregate body working merely for the satisfaction of the national wants.

In the second place, after the abolition of the capitalistic mode of production, but with social production still in vogue, the determination of value continues to prevail in such a way that the regulation of the labor time and the distri-

¹⁷ *Works*, Vol. XV, Russian ed., p. 274. In English it can be found in *The Critique of the Gotha Programme* (New York, Internat. Publishers, 1933), p. 29.—Translator

bution of the social labor among the various groups of production, also the keeping of accounts in connection with this, become more essential than ever (*Capital*, Vol. III, State Political Publishing House, 1938, p. 750).¹⁸

Of course, it would be an absurd and uncritical approach to presume that Marx and Engels could foresee and foretell the concrete, practical way to employ the law of value in the interests of socialism. These ways are worked out in the course of the richest practice of socialist construction in the U.S.S.R. and were generalized by the genius of Comrade Stalin, who showed how the Soviet state puts at the service of socialism such instruments of capitalist economy as money, trade, banks, etc. The assertions of Stalin on the fate of the economic categories of capitalism under conditions of socialist society are theoretic generalizations from the magnificent experience of socialist construction in the U.S.S.R. and signify a new stage in the development of the science of Marxist-Leninist economics. These statements are among the most important principles of the political economy of socialism created by Comrade Stalin.

In these assertions Comrade Stalin presented a great deal that was new, which could have been foreseen neither by Marx nor even by Lenin. It could have been grasped only as a generalization based upon the richest experience of socialist construction in our country.

The former, faulty interpretation concerning the law of value under socialism closed the path to the correct understanding of the problems which now sharply confront us not merely as theoretic questions but as practical questions in our economic policy. Under socialism the guiding principle of social life is distribution according to and based upon the quantity and quality of work performed. That means that labor continues to be the measure in economic life. Naturally, it follows that 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.

The guiding principle of social life under socialism is, from each according to his abilities, to each according to his labor. This demands that every worker in socialist production be rewarded strictly in accordance with the quantity and quality of work which he expends for society as a whole. Socialism cannot exist without what Lenin called national accounting and control of the measure of labor and measure of consumption. But how is the strictest accounting and control by the Soviet state exercised over the measure of labor and measure of consumption of each member of society?

¹⁸ *Capital*, Vol. III, pp. 991-92.—Translator

At first glance it might seem that the simplest way out is to measure labor in hours or days, in what Marx calls the natural measure of labor—that is, the time of labor, labor hour, labor day, etc. But the difficulty is that the labor of the citizens of a socialist society is not qualitatively uniform. In this respect it differs from the work of members of a communist society. These inequalities of labor under socialism flow from the following circumstances.

Under socialism the opposition between city and country is undermined, the fundamental opposition between the working class and peasantry is abolished. Nevertheless, some differences continue to exist between city and village, between industry and agriculture, between workers and peasants. These differences extend to the compensation for labor, inasmuch as the workers and employees receive a fixed wage—by the piece in the majority of cases—while the collective farmer is paid in work-days; also a part of his remuneration is paid in kind. In addition, the collective farmer does some auxiliary farming on his own.

Again under socialism the deepest roots of the age-old opposition between intellectual and physical work are uprooted. Nevertheless, a distinction between physical and intellectual work still exists. Work of one category requires more training than that of another. In other words, there exist differences between skilled and unskilled work, and between work of various degrees of skill. One sort of occupation is better equipped technically than another; the level of mechanization and electrification of production is not uniform in different branches of production.

All this signifies that the hour (or day) of work of one worker is not equal to the hour (or day) of another. As a result of this, the measure of labor and measure of consumption in a socialist society can be calculated only on the basis of the law of value. The calculation and comparison of various kinds of labor are not realized directly, by means of the "natural measure of labor"—labor time—but indirectly, by means of accounting and comparison of the products of labor, of commodities. The labor of the members of socialist society produces commodities. These products of labor in a socialist economy are, on the one hand, use values, *i.e.*, material goods needed for the satisfaction of various needs of society. On the other hand, the products of socialist labor have value. From this follows the utilization of such instruments as trade, money, etc., as tools of a planned socialist economy. The products of socialist production reach the consumer in the course of trade, with the help of money. Wages of workers and employees are paid in money. To a certain extent the work days of the collective farmers are also paid in money. Besides this they receive

money from the sale of a part of the products obtained by them as payment in kind for their work-days or from their auxiliary private farming. With their money income the workers buy commodities.

The mistakes of the former teaching in denying the operation of the law of value in socialist society created insurmountable difficulties in explaining the existence under socialism of such categories as money, banks, credit, etc. The understanding of the rôle and significance of the law of value under socialism makes it possible correctly to cast light upon all these problems, in a strictly logical interrelation, proceeding from the premise that under socialism too the law of value functions and, furthermore, evaluating the fundamental peculiarities under which it functions in socialism.

In the planned socialist economy of the U.S.S.R. commodities are objects of purchase and sale. They have prices which are money expressions of their value. Hence the possibility at once arises that the price of an article will not coincide with its value. The bulk of the commodities available for sale belongs to the state and its organs and also to coöperatives. This also includes the entire production of the completely socialist type of enterprise and that portion of the production of the social economy of the collective farmers and artisan coöperatives, as well as of the personal auxiliary economy of collective farmers, of individual farmers and non-coöperative artisans, which accrues to the government and the coöperatives through compulsory deliveries, payment in kind, purchases, etc. All this mass of commodities is sold at prices set by the state. However, a certain part of the commodities is sold on the unorganized market by individual citizens. This includes a part of the products of the personal auxiliary economy of collective and individual farmers and craftsmen, as well as that part of the production of the socialized economy of the collective farms which is distributed in kind according to work-days and then is sold by the collective farmers on the market. As is known, these commodities are sold according to prices evolved by trading in the market. Thus in the Soviet economy there exist in fact two markets and two kinds of prices.

Utilizing the law of value, the Soviet state sets as its goal the establishment of commodity prices based on the socially-necessary costs of their production. The setting of prices takes into account the tasks of socialist accumulation as well as the tasks of raising the standard of living and the cultural level of the toiling masses. The social costs of production serve as the starting point in the setting of prices. They include the entire sum of expenses incurred in the production of a commodity, *i.e.*, the full value of the commodities produced in a socialist enterprise. The prices of commodities are set with certain deviations

from their values, corresponding to the particular objectives of the Soviet state, and the quantity of commodities of various kinds which can be sold under the existing scale of production and the needs of society.

A struggle goes on between the organized market, which is in the hands of the Soviet state, and the elemental forces of the unregulated market. In order to be the complete master over the market and to be able completely to dictate market prices, the Soviet state would have to have at its disposal enormous masses of commodities, enormous reserves of all sorts of goods.

The fact that a commodity produced in a socialist society is, on the one hand, a use value and, on the other hand, a value, has an essential significance in a planned, socialist economy.

The state's national economic plan provides that each enterprise produce a definite quantity, *i.e.*, definite use values. At the same time, execution of the plan requires a definite level of expenditure of labor and materials of production, *i.e.*, it requires a definite value of production. The plan determines the production program of an enterprise according to natural and value indices, inasmuch as it deals both with use values and with the values of commodities.

In Soviet society the type and quality of commodities are matters of State decisions and subject to strict state control. That applies to the use values of commodities which are products of socialist production. Of no lesser significance in a planned socialist economy is the value of commodities.

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.

Socialist economic management is based on an accurate correlation of the expenditures of labor and materials on the one hand with the results of production on the other. Such a correlation is realized in every socialist enterprise. But comparison of the expenses of the firm in a given period with the whole mass of production for the same period presupposes reduction of both expenses and results of production to a single denominator. Such a common denominator exists: it is the value of the commodities. Cost accounting is based on the fact that expenses and results of production are carried on in value form, *i.e.*, are expressed in the form of definite sums of money.

The value of a commodity in socialist society is determined not by the units of labor actually expended on its production, but by the quantity of labor socially necessary for its production and reproduction. A strict observance of cost accounting is the means for the discovery

and eradication of every sort of superfluous, unproductive expenditure and loss, all kinds of mismanagement resulting in the reduction of production costs of the individual firm to a minimum.

In socialist society the product of labor is a commodity; it has use value and value. This means that labor in socialist society has two aspects; on the one hand, concrete labor producing use value, and on the other hand, abstract labor, a definite portion of the aggregate labor expended on social production.

But this dual character of labor is no longer linked with the contradiction between private and social labor which is characteristic of commodity production on the basis of private property. The labor of individual workers engaged in socialist enterprises has a direct social character. Every useful expenditure of labor is directly rather than indirectly part of the social labor, since all social labor is organized according to plan on a national scale. Hence there is abolished that characteristic of commodity production by which labor spent on the production of useful objects may prove useless to society; labor which finds no social recognition because the commodity it produced remains unsold. Under the domination of private property, the producers of commodities, amidst innumerable deviations and disturbances, receive only on the average, during the process of exchange, reimbursement for expended labor. Under capitalism the right of the producer to property in the products of his labor is replaced, as a result of the force of the laws of capitalist production, by the right of the capitalist to appropriate the product of alien, unpaid labor. In socialist society, all labor useful to society is rewarded by society.

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 labor. 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 but it functions in a transformed manner. Under capitalism the law of value acts as an elemental law of the market, inevitably linked with the destruction of productive forces, with crises, with anarchy in production. Under socialism it acts as a law consciously applied by the Soviet state under the conditions of the planned administration of the national economy, under the conditions of the development of an economy free from crises. The transforma-

tion in the function of the law of value in a planned, socialist economy is revealed, first of all, in this: that the law of value does not function through a chaotic distribution of social labor and the means of production among the various branches of production, *i.e.*, in the production of different use values. In socialist society the distribution of money and labor power among the different branches of production is realized in a planned manner, in accordance with the basic tasks of socialist construction. These proportions and interrelations in which different branches of the national economy under socialist structure are developed are basically distinguished from the proportions and interrelations which were established by the chaotic force of the market in the conditions of capitalism.

Further, the law of value under capitalism acts through the law of the average rate of profit, which loses significance under socialism. Under capitalism this law results in the collapse and, finally, in the liquidation of a firm that yields a lower profit than the average. The capitalists and their capital rush toward those branches of production where the rate of profit is high.

In a socialist system the overwhelming majority of enterprises are national property, *i.e.*, they belong to one master—the Soviet state. Thus the Soviet state can control production for the most fundamental interests of socialism and does not have to bow to the law which makes impossible the development of a branch of production which at first must run at a loss or at least not yield a profit.

For a long time our metallurgical plants operated at a loss. The Kirov plant at Makeev first showed a profit in 1935. The Magnitogorsk and Kuznets plants showed profit even later. For the initial period metallurgy was subsidized by the state. If this country had had a bourgeois system instead of a Soviet system, we would still be without the backbone of any heavy industry. That means that when war came, we would have been an easy prey for the enemy. It is well-known that in Tsarist Russia metallurgy did not develop without subsidization from the Tsarist government. But despite this subsidization, metallurgy remained a weak link in the national economy. We broke the law of capitalism—the law of the average rate of profit. Capitalist profit has been liquidated and private property in the means of production has been abolished; the Soviet state created a powerful industrial base without which our country would have faced the enemy unarmed.

This distinct character of the law of value under conditions of socialism has tremendous significance not only theoretically but also practically.

The law of value will be overcome only in the highly developed stage

of communism when the productivity of labor will be so advanced and society will have at its disposal such an abundance of products that transition to the distribution of products according to needs will become possible.

Thus we see that the law of value in a socialist economy is no longer an overriding force dominating social production, but social production proceeds according to plan. Further, in view of the domination of social property in the means of production, labor power, land, and the most important means of production (equipment of factories, plants, machine tractor stations, state farms, etc.) are no longer commodities in a socialist society. Land in the U.S.S.R. is appraised in money terms but it is not an object of purchase and sale. The other means of production have value which is expressed in money terms but they are not objects of free purchase and sale. They move from a production enterprise to a consumption enterprise and in this course are regulated by Soviet laws and national economic plans. Under the domination of private property in the means of production, operation of the law of value inevitably leads to the rise and development of capitalist exploitation; in socialist society the rise of exploitation is blocked by the domination of socialist property in the means of production.

There has been confusion in the previous practice of the teaching of political economy on the subject of the *surplus product under socialism*. The teachers have often presented the matter as though the surplus product does not exist under socialism. This is, of course, entirely untrue. In the first volume of *Capital* (chap. 15), Marx makes the following remarks:

Only by suppressing the capitalist form of production could the length of the working-day be reduced to the necessary labor-time. But, even in that case, the latter would extend its limits. On the one hand, because the notion of "means of subsistence" would considerably expand, and the laborer would lay claim to an altogether different standard of life. On the other hand, because a part of what is now surplus-labor, would then count as necessary labor; I mean the labor of forming a fund for reserve and accumulation.²⁹

It is interesting to note that in the French edition of *Capital* the last sentence is translated thus:³⁰

Meanwhile it is necessary not to forget that the part of the present surplus and precisely that part which is expended in the formation of a reserve fund and accumulation, would then be considered as necessary labor and that the present magnitude of necessary labor is limited only by the cost of the

²⁹ *Capital*, Vol. I, chap. 17, pp. 580-81.—Translator

³⁰ The article did not render this passage in French.—Translator

maintenance of the wage laboring class, doomed to produce the wealth of these masters.

Thus the thought of Marx is clear. It means that after the liquidation of exploitation of man by man surplus labor is as necessary for society as necessary labor. It does not in any way mean that there is then no need for surplus labor which is directed to the satisfaction of such essential requirements of society as the formation of a social reserve fund and a fund of accumulation, which appear in Marx as examples of the needs of society as a whole. Under the socialist system the significance of these not only does not decrease but actually increases.

Furthermore, in Volume III of *Capital* Marx directly points to the fact that after the transition to socialism the necessity for surplus labor and surplus product remains. Finally, the most detailed of all the analyses on this question is given by Marx in *The Critique of the Gotha Programme*.

In exposing the reactionary-utopian views of the followers of Lassalle, Marx deals in detail with the slogan of the "full proceeds of labor"—the Lassalle variant of the petty-bourgeois demand for the "right to the whole product of labor." Marx demonstrated the error and absurdity of this demand by showing the composition and distribution of the aggregate social product. Before we may proceed to the share of the individual in the aggregate social product, it is necessary to deduct:

"Firstly, reimbursement for the replacement of the means of productions used up;

"Secondly, an additional portion for the extension of production;

"Thirdly, reserve or insurance funds to provide against misadventures, disturbances through natural events and so on" (*Selected Works*, Vol. II, 1940, p. 451)."

After all these deductions, there remains, in the words of Marx, the residual part of the aggregate product which is designed to serve as means of consumption. But, before it goes into individual distribution, it is necessary to make a series of deductions from this part:

"Firstly, the general costs of administration not appertaining to production.

"This proportion will of course be considerably lessened in comparison with what it represents in society as it is at present and will diminish in proportion to the development of the new society.

"Secondly, what is destined for the satisfaction of communal needs, such as schools, health services, etc.

"This proportion will of course increase in comparison with the

²⁸ *The Critique of the Gotha Programme*, p. 27.—Translator

expenditure on the same objects in existing society and will grow in proportion to the development of the new society.

"Thirdly, funds for those unable to work, etc., in short, what comes under the heading of so-called official poor relief today."²⁹

It is easy to see that all these deductions from the aggregate social product which Marx foresaw—with the exception of the part needed for the replacement of used means of production—can be covered only at the expense of the surplus labor of the members of socialist society.

And in reality surplus labor (*i.e.*, labor over and above that needed for the immediate satisfaction of personal needs of the toilers) must always exist under every social system. In our country socialism destroyed the exploitation of man by man, it liquidated the appropriation of surplus labor, surplus product and surplus value by parasitic exploiting classes. Socialism in the U.S.S.R. exterminated the parasitic consumption of the non-working classes, which really was a plundering of the fruits of the surplus labor of workers and peasants. But at the same time tasks of a gigantic scale confront socialist society, the solution of which is inconceivable without the expenditure of surplus labor by each worker, peasant and intellectual of the Soviet Union.

Even under socialism a certain part of the product of social labor must be systematically diverted to purposes of accumulation. This is the most important condition for expanded reproduction, the necessity of which is dictated by the need to satisfy the incessantly rising demands of the toiling masses, as well as by the natural growth of the population. By means of the accumulation of a certain part of the aggregate social product, *i.e.*, a certain part of the annual surplus product of society, the gigantic construction of the U.S.S.R. has been realized.

Furthermore, a fixed part of the surplus product goes to cover the current needs of society as a whole. It is sufficient to recall the significance to our fatherland of the expenditures made to strengthen the military might of the U.S.S.R. It was precisely the wise and far-seeing policy of the Soviet government, directed toward equipping the Red Army with indispensable modern military technique by creating in our country a powerful defense industry serving as the forge for this equipment, which saved our country in the year of its greatest trials. A certain portion of the surplus labor goes toward realization of such rights of the citizens of the U.S.S.R. as the right to education (the maintenance of schools, universities, libraries, etc.), the right to recreation (sanatoria, rest homes, etc.), the right to security in sickness and in old age (hospitals, pharmacies, old age homes, etc.).

²⁹ *Ibid.*, p. 28.—Translator

It follows from the above that under socialism, the workers must by their own labor produce—above that which they receive for their personal needs—a certain surplus for the satisfaction of the needs of society as a whole, *i.e.*, a surplus product. The working class, as the leading force of society, cannot but concern itself with the satisfaction of social needs. Therefore, even under a socialist system the workers must perform more work than is necessary to satisfy their immediate personal needs. This is especially clear and is sharply revealed in the conditions of the present war when the victory over the enemy is being forged behind the lines by the self-sacrificing labor of tens [of millions] of Soviet patriots who came to the help of the Red Army.

Thus, in a socialist society the surplus product is placed at the disposal of society as a whole for the satisfaction of all social needs and demands. In a socialist society, Lenin remarked, "*the surplus product does not go to the property owning class, but to all workers and only to them*" (*Leninski Sbornik*, T. XI, c. 382).²¹

²¹ Russian ed. of *Lenin Miscellany*, Vol. XI, p. 382.—Translator