

**Fundamental Principles  
of Communist Production  
and Distribution**



**Group of International  
Communists**

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FUNDAMENTAL PRINCIPLES OF  
COMMUNIST PRODUCTION AND  
DISTRIBUTION

1930

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*Fundamental Principles of Communist Production and Distribution* is the classic exposition of the economics of communism – and, indeed, apart from the first outline sketches given by Marx in his *Critique of The Gotha Programme*, upon which the book is based, the *only* one ever to have been produced. The first working draft was the work of the well-known German proletarian revolutionary and veteran member of the KAPD, Jan Appel, alias Max Hempel. This draft was subsequently revised and completed in Dutch by a collective composed of members of the *Group of International Communists of Holland* (GIK) and published in German by the *Allgemeine Arbeiterunion Deutschlands* (General Workers' Union of Germany) in 1930. It does for communist society what Marx's *Capital* did for capitalism and is perhaps the most advanced intellectual achievement of the German Revolution.

The economic preconditions for communism are shown to reside in the abolition of wage-labour, money and all value-determined production and distribution, and their replacement by a system of use-value production regulated through the Average Social Hour of Labour. One of the most remarkable features of the work is the clear and profound treatment given to the process through which the lower stage of communism progressively "abolishes" itself in achieving the transition from the lower to the higher stage of communism.

The collapse of State Socialism in the USSR and Eastern Bloc lends a very considerable significance to this historic document of the German and Dutch revolutionary movement. In its pages, communist, socialists and libertarians today may discover the basic flaws in the economic system laid down for the USSR by Lenin and the Bolshevik Party. Thanks to this work, attention is focused on the apparently so simple but so easily overlooked fact that the Bolshevik system of State Socialism *rests upon no objective mode of social regulation whatsoever*, and consequently is dependent upon the subjective diktat of an army of major and minor bureaucrats which, as the ruling elite organised in an all-powerful party dictatorship fused in with the State, effectively deprived the mass of the working population of all control over the economic process. It is this which formed the economic foundation for the horrendous tyranny with which the world had for so long been familiar, just as it also revealed the Bolshevik system to be a false model of socialism or communism which misled the world for over 70 years!

## COMMENT:

As the translators introduction makes clear, the following text represents an advance on the theory of the post-capitalist economy as posited by Marx. One of the many strengths of the text is the insistence throughout that for any non-exploitative system to actually work *all* participants must understand its economic foundations. As well as making redundant the economic 'expert' of the old capitalist system, the post-capitalist economy also undertook to make redundant that penultimate twister, charlatan and sycophant of the rich – the

politician. To this end, the many levels of bureaucratic job-creation schemes for the middle class of the old society were to be abolished, and the only mechanism between the desires of the people and the practical necessities required to fulfil those desires was to be the workers' council. The workers' councils were to be everything the present parliamentary system is not. The people's voice was to be taken at literal value through the workers' councils situated in the workplaces and neighbourhoods. Representative spokes-people could, if they distorted or manipulated the decisions of the council be recalled and instantly dismissed. Unlike the pampered parliamentary snakes and misrepresentatives of the people of the present (capitalist) system, the economic system of the communist society would automatically delete from its ranks of delegates the power-seekers, the leeches, the money-mongers and the layabouts that constitute in total the parliamentary benches of today. Quite how this is done is also a rewarding aspect to the close study of this text.

This edition of *Fundamental Principles of Communist Production and Distribution* is taken directly from the first English translation of the German text by Mike Baker (deceased) of the Movement for Workers' Councils, a London based group founded in 1989 and now long since dis-established. A printed edition was published, but issues of poor quality and the inclusion of extraneous and irrelevant material has made this virtual publication a necessity.

We wish to encourage some debate upon the crucial need to take seriously questions surrounding the whole nature of the post-capitalist economy and wider society. Despite the tendency of the following text to generate more problems than it attempts to solve, this is more indicative of the non-proscriptive thread of argument rather than of any fundamental flaw. Leaving such thorny issues such as those which are honestly dealt with by the authors of *Fundamental Principles...* to future generations or to some magical and loose hypothesis which supposes all such matters will come right in the end is, in effect, a dereliction of revolutionary responsibilities. To ask the workers of the world to vanquish capitalism into the historical realm of barbaric societies, there must be at least an idea of the new society worth fighting for.

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# INTRODUCTION

Paul Mattick

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Source: [\*Controversies\*](#), 26 July 2014. Original source: Grundprinzipien kommunistischer Produktion und Verteilung ; Kollektivarbeit der Gruppe Internationaler Kommunisten (Holland), 1930. Einleitung von Paul Mattick – Berlin-Wilmersdorf : Rüdiger Blankertz Verlag (Institut für Praxis und Theorie des Rätekommunismus), 1970. – 176 S. Translation from German by *Jac. Johanson*.

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The present collective work, Fundamental Principles of Communist Production and Distribution, first appeared forty years ago. Its authors, members of the Group of International Communists (G.I.C.) in Holland, participated in the council movement. Workers' councils first arose during the Russian Revolution of 1905. According to Lenin, they already had the potential for seizing political power, albeit in fact they still stood on the terrain of the bourgeois revolution. According to Trotsky the workers' councils represented, in opposition to the political parties within the working class, the organization of the proletariat itself. The Dutchman Anton Pannekoek conceived the council movement as the self-organization of the proletariat, which would lead to its class rule and the takeover of production. With the extinguishing of the 1905 Russian Revolution and the end of the councils, interest in this new form of organization subsided and the traditional political parties and trade unions once more confiscated the terrain of the workers' movement for themselves. Only the Russian Revolution of 1917 once again brought the councils to the attention of the international workers' movement; this time not merely as an expression of the spontaneous organization of the revolutionary workers, but as a necessary measure to

confront the counterrevolutionary policies of the old workers' movement as well.

The First World War and the collapse of the Second International closed the first phase of the workers' movement. What had long been apparent, the integration of the workers' movement into bourgeois society, now became an indisputable fact. The workers' movement was not a revolutionary movement, but just a movement of workers who were trying to settle within capitalism. The workers themselves as well as their leaders lacked any interest in abolishing capitalism and by consequence were satisfied with the trade union and political activities within capitalism. The limited possibilities of the parties and the trade unions within bourgeois society simultaneously expressed the real interests of the workers. Nothing else could have been expected, since a progressively expanding capitalism rules out any real revolutionary movement.

The idyl of a possible harmony between the classes in the course of capitalist development, upon which the reformist workers' movement was based, was smashed to pieces by its collision with capitalism's own contradictions, which are manifested in crises and wars. The revolutionary idea, formerly the ideological property of a radical minority within the workers' movement, got hold of the broad masses, as the misery of war exposed the true nature of capitalism; and not just that of capitalism, but that of the workers' organizations which had thrived within it as well. These organizations had escaped from the hands of the workers; they existed for the latter only to the extent that it was necessary to safeguard the existence of their bureaucracies. Because the functions of these organizations are tied to the preservation of capitalism, they cannot avoid to oppose any real struggle against the capitalist system. A revolutionary movement effectively needs organizational forms which point beyond capitalism, which restore the lost power of the workers over their organizations, and who not only include a part of the workers, but the workers as a class. The council movement was the first attempt to build an organizational form adequate to the proletarian revolution.

Both the Russian and the German revolutions found their organizational expressions in the council movement. But in neither case they proved capable of asserting their political power and to use it for the construction of a socialist

economy. Whereas the failure of the Russian council movement can undoubtedly be attributed to the backwardness of the Russian social and economic conditions, that of the German council movement rested on the unwillingness of the mass of the workers to realize socialism in a revolutionary way. Socialization was seen as a task of the government, not as that of the workers themselves, and the council movement decreed its own end by the reestablishment of bourgeois democracy.

Albeit the Bolshevik Party seized power under the slogan “All power to the Soviets”, it held on to the social democratic idea that the construction of socialism was the task of the State, and not of the councils. While no kind of socialization was carried out in Germany, the Bolshevik State destroyed capitalist private property, however without granting the workers rights to dispose of their production. In so far as the workers were taken into account, the result was a form of State capitalism that left the social condition of the workers unchanged and continued their exploitation by a newly forming privileged class. Socialism could neither be realized by the reforming state of bourgeois democracy nor by the new revolutionary Bolshevik State.

Besides the either objective or subjective immaturity of the situations, the passable roads towards socialization were obscured by the dark. By and large socialist theory was oriented towards the critique of capitalism and the strategy and tactics towards class struggle within bourgeois society. In so far as thoughts were devoted to socialism, the road to socialism and its structure appeared to be already prefigured in capitalism. Even Marx himself had only left few principle remarks on the character of socialist society, since it is indeed not very fruitful to concern oneself with the future beyond the point that is already included in the past and present.

Contrary to later conceptions, Marx had however made it clear that socialism is not the cause of the State but of society. Socialism, as the “association of the free and equal producers”, only needs the “state” - the dictatorship of the proletariat - for its establishment. With the consolidation of socialism the proletarian dictatorship, conceived as a “state”, would disappear. Both in reformist and in revolutionary social-democratic ideas an identification of state and social control was effected, and the conception of the “association of the free and equal

producers” lost its original meaning. The marks of the socialist future already contained within capitalism were not identified with the possible self-organization of production and distribution by the producers, but with the tendencies towards concentration and centralization typical of capitalism, that were to find their conclusion in State domination over the economy as a whole. This conception of socialism was first assumed, and subsequently attacked as an illusion by the bourgeoisie.

The end of a great historical movement like that of the councils does not rule out the expectation of their reappearance in a new revolutionary situation. In addition, one can always learn from defeats. The task of the council communists after the defeat of the revolutions did not consist only of continuing propaganda for the council system, but of elaborating the shortcomings that the movement had suffered from as well. One of its weaknesses, and perhaps the greatest of them all, was that the councils had no clear conception of their tasks regarding the socialist organization of production and distribution. As the council movement finds its first base in the enterprises, this has to become the point of departure for the social coordination and joining together of economic life, by the producers disposing themselves of their product. ‘Fundamental Principles of Communist Production and Distribution’ was the first attempt on the part of the western European council movement to acquaint itself with the problem of the construction of socialism on the basis of the councils.

Taking into account the enormous difficulties that are in the way of the proletarian revolution, this document, which is for the most part concerned with the unit of calculation and accounting in the communist economy, may seem strange at first glance. As the details of the political difficulties that can be expected cannot be foreseen, this concern always remains speculative. A social system may be easy or hard to overcome; it depends on conditions which cannot be foreseen. However this document is not concerned with the organization of revolution, but with the problems that follow the latter. As it is not possible to guess the real state of the economy in the wake of the revolution, one cannot draft a program in advance for the ensuing tasks that really need to be accomplished. Here the uprising necessities will be the determining factor themselves. But it is possible to discuss in advance the measures and instruments

necessary for the establishment of certain desired social relations, in this case relations that can be considered as communist.

The theoretical problem of communist production and distribution became a practical problem by the Russian Revolution. But the practice was already predetermined by the concept of centralist State control which dominated both wings of social democracy. The discussions about the realization of socialism or communism left aside the real problem: that of the control by the workers over their production. The question was how and with what means a centrally conducted planned economy could be realized. Since, according to Marx's theory, socialism knows neither market, nor competition, nor prices, nor money, socialism could only be conceived of as a 'natural' economy in which a central body, by means of statistics, determines both production and distribution. It was upon this point that the bourgeois criticism set in, with the assertion that under such conditions a rational economy is impossible because production and distribution require a measure of value, such as provided by the market prices.

In order not to anticipate the discussion of this question in the 'Fundamental Principles of Communist Production and Distribution', let us just say that its authors find the solution to the problem of the necessary unit of calculation in the average social labor time as the basis for both production and distribution. They meticulously demonstrate the practical applicability of this method of calculation and the public accounting associated with it. Because it is just about a question of means to obtain certain results, logically nothing can be objected against this. The application of these means presupposes of course the will to achieve a communist production and distribution. Once this condition is fulfilled, nothing stands in the way of their application, albeit they may not be the only ones suitable for communism.

According to Marx, all economy is an "economy of time". The division and arrangement of social labor to the satisfaction of the needs of production and consumption turns labor time into the measuring stick of production in capitalism as well, albeit there it does not apply to distribution. The prices that occur within capitalism are based on values bound to labor time. They are not related to individual commodities but to the totality of social production. All prices added up can be nothing else than the total value of production bound to

labor time. The relations of production (or exploitation) in capitalism, which simultaneously are market relations, and the accumulation of capital as the motive and the driving force of capitalist production, exclude an exchange of value equivalents bound to labor time. Nonetheless the law of value rules capitalist economy and its development.

On the basis of this fact, one could easily assume that the law of value must be valid in socialism as well, because in socialism labor time must be taken into account as well in order to make a rational housekeeping possible. But only under capitalist conditions, in which the necessary social coordination of production is delegated to the market and the relations of private property, labor time is transformed into labor time value. Without capitalist market relations there is no law of value, albeit it remains necessary to take labor time into account in order to adapt social production to the needs of society. In this latter sense the 'Fundamental Principles of Communist Production and Distribution' speak of the average social labor time.

The authors indicate that others had already proposed labor time as a unit of economic calculation before them. They consider these proposals insufficient because they apply solely to production and not to distribution, and therefore remain familiar to capitalism. From their point of view, average social labor time must simultaneously apply to production and distribution. At this point, however, a difficulty and a weakness of labor time calculation occurs, one that Marx had already pointed out and to which he found no answer but the abolition of labor time calculation for distribution through the realization of the communist principle "From each according to his abilities, to each according to his needs."

In his Critique of the Gotha Program of the German Social Democratic Party, Marx argues that an equal distribution in proportion to labor time would entail new inequalities, since the producers differ from one another with regards to their working capacities and their private relations. Some do more work than others within the same time; some would have families to support whereas others would not, to the effect that the equality of distribution bound to labor time would result in inequality in the conditions of consumption. Marx writes "With an equal work performance, and thereby with an equal share of the social

consumption fund, one obtains in fact more than another, one is wealthier than another, etc. In order to avoid all these wrongs, the Law should be unequal rather than equal.” Albeit he considered these wrongs to be “inevitable in the first phase of communist society”, he did not take them as a communist principle. When the authors of the 'Fundamental Principles' claim that their explanations “are merely the consistent application of Marx’s line of thought”, this is correct only as far as these thoughts are applied to a phase of socialist development in which the principle of the exchange of equivalents still prevails, which should however come to an end in socialism.

For Marx it was self-evident that “all distribution of the means of consumption (is) only the consequence of the distribution of the conditions of production.” “When the practical conditions of production are the collective property of the workers themselves”, he explained, “a distribution of the means of consumption results that differs from the present one.” The possible wrongs of a distribution bound to labor time could therefore not be overcome by a separation of production from distribution, since the control over production by the producers includes their control over distribution as well, just as the determination of distribution by the State — its allocation from above — likewise includes State control over production. The authors of the 'Fundamental Principles' rightfully emphasize that the producers must be granted full rights to dispose over their production, but whether this would require a distribution bound to equal labor time is a different question.

In the advanced capitalist countries, that is, in the countries where socialist revolutions are possible, the social forces of production are sufficiently developed to produce means of consumption in abundance. When one considers that more than half of all capitalist production and the unproductive activities associated with it (apart from the existing production possibilities that remain unused) have nothing to do with human consumption, but can only make “sense” in the irrational economy of capitalist society, it becomes clear that under the conditions of a communist economy an abundance of means of consumption can be produced that renders a calculation of individual shares superfluous.

The actualization of the already potentially existing abundance presupposes, however, a complete conversion of social production into fulfilling the real needs

of the producers. The transformation of the production of capital into a production oriented towards human needs will doubtlessly – not solely as a result of the abolition of capitalist relations – be accompanied by a transformation of industrial-technical development and will also secure the endangered future of human existence.

Albeit the 'Fundamental Principles' rightfully emphasize that production is controlled by reproduction, and albeit the point of departure of communist production can only be the end-point of capitalist production, the new society needs a change of the goals and methods of production that is adapted to it. The measures that are adequate to these changes, and their results, will determine whether the distribution will be undertaken according to production shares, or according to the changing real needs. Further, it is well possible that a partial destruction of the production base, as a consequence of the class struggles linked to the social transformation, could rule out the organization of distribution based on labor time, without thereby impeding an equal distribution, for example by rationing. And this equal distribution could directly be secured by the workers themselves without the detour of labor time calculation. The 'Fundamental Principles' however assume so to say a "normal" communist economic system, one that has already fully established itself and that is reproducing itself in its new shape. In such circumstances a distribution bound to labor time appears as superfluous.

Indeed the "exact relation between producer and product" which the 'Fundamental Principles' demand only concerns the individual share of production — after subtraction of the production parts that fall to public consumption and the reproduction of social production itself. The process of socialization is expressed in the reduction of individual consumption and the increase in public consumption. Thereby the communist development tends toward the abolition of the labor time calculation in distribution after all. The economy without market requires the organization of consumers into cooperatives, in direct association with the enterprise organizations, in which the individual needs regarding consumption, and thereby regarding production, can find their collective expression. Unfortunately this is the least developed part of the 'Fundamental Principles', albeit it is precisely the market economy's alleged freedom of consumption that is exploited as apology for capitalism. But it is very

well possible to establish the needs for consumption without taking recourse to the market, and this even far better than the market is able to do, because in communist society the distortions in market demand given by the class bound distribution fade away.

The demand for “exact calculation” can only lead to an approximation in production as well, since the process of labor and reproduction is subject to constant change itself. The determination of average social labor time for the totality of production requires a certain time, and the obtained results are always outdated with respect to the actual reproduction. Its “precision” refers to a moment in the past, something that cannot be altered, however much it may be possible to curtail the time required for reporting by modern methods and instruments. In this way the average social labor time is subject to constant change. This lack of precision is however not a serious obstacle for the calculation of production and reproduction, be it at the same or at a higher stage of production. The actual situation will deviate from the calculated one, and only the deviations lay bare the real state of production. The calculation of labor time is not about obtaining a complete agreement of the production time, as obtained by the unit of calculation, with the average labor time actually employed and the production that results from this, but about the necessity of the allocation and distribution of social labor which, by its very nature, can only be approximately achieved. Nothing more however is required for a planned communist economy.

The authors of the 'Fundamental Principles' want to construct production in such a way “that the exact relation between the producer and the product becomes the foundation of the social production process.” They see this as the “cardinal question of the proletarian revolution”, because it is only in this way that the construction of an apparatus that raises itself over the producers can be avoided. Only by means of establishing the relation between the product and the producer “the task of leaders and administrators related to the allocation of the product is abolished”. This is about the self-determination of the distribution by the producers as the indispensable condition of classless society. In reality, the definition of the exact relation between the producer and the product can only be the result of a successful proletarian revolution, which realizes the council system as the form of social organization. If this is the case, the necessity to

master the productive process from the angle of distribution may fall away. One can imagine an uncontrolled distribution of consumption goods as well as a controlled one, without promoting the emergence of new privileged strata. On the other hand, the sole adoption of a norm for distribution is not a sufficient guarantee for the construction of a communist economy, which has not only to orient itself at the producers' shares of the social product but, beyond that, to the material conditions of social production.

In capitalism, distribution is only apparently regulated by the market. Albeit production must be realized on the market, the market itself is determined by the production of capital. The production of exchange value and the accumulation of capital are the bases of the production process. The use value aspect of production is only a means to the end of increasing exchange value. The real needs of the producers can only be taken into account in so far as they coincide with the imperatives of accumulation. Production, as the production of surplus value, is automatically regulated in the market economy by the relations of exchange value, which only accidentally coincide with the relations of use value. Communist society produces for use and must for that reason adapt production and distribution to the real needs of society. In order to follow any sort of distribution norm, production must first be subjected to conscious control. Distribution is preceded by production, even if it is determined by the needs of the consumers. But the organization of production requires much more than the exact determination of the relation between the producer and the product; it requires control over the needs and the productive capacities of the whole of society, in their physical forms, and a distribution of social labor adequate to them.

In this way, in the council system as well, one cannot circumvent the construction of institutions permitting an overview of the necessities and possibilities of society as a whole. The impressions that are acquired in this way have to lead to decisions that cannot be taken by the individual enterprise organizations. The construction of the council system must be such that production can be centrally regulated, without infringing upon the self-determination of the producers. But even in the individual enterprise the carrying out of the workers' decisions will be left to the councils, without thereby necessarily engendering a domination of the councils over the workers.

In a larger framework as well, up to and including national production, organizational measures can be taken which bind the autonomy of the supra-enterprise institutions together with their control by the producers. But this solution of the opposition of centralism and federalism, that the 'Fundamental Principles' strive for as well, will not likely be effected by the mere "registration of the economic process in general social bookkeeping", but most probably requires special enterprises, integrated into the council system, which are specifically concerned with the problem of designing the economy.

In the 'Fundamental Principles', the rejection of a central administration of production and the accompanying distribution regulated by the state is based on the experiences made in Russia, which do not relate to the council system, but to State capitalism. But even here production and distribution are not the work of planning organs but of the State, using the planning organs as an instrument. It is the political dictatorship of the State apparatus over the workers, not the planning of the economy, which has led to a new exploitation, in which subsequently the planning authorities can participate. In the absence of the political dictatorship of the State apparatus, the workers would not need to submit to the central administration of production and distribution.

The first precondition for communist production and distribution is then that no State apparatus arises alongside or above the councils, that the "State" function – meaning the repression of counterrevolutionary tendencies – is executed by the workers organized in the council system. A party which, as a part of the working class, aspires to State power and establishes itself as State apparatus after the seizure of power, will undoubtedly attempt to assume control over production and distribution, and to reproduce this control in order to preserve the position it conquered. Once the control of the majority by the minority has been established, exploitation can be perpetuated. The council system cannot allow any State to subsist alongside it, without taking away power from itself. But without this separate State power, any planning of production and distribution can only be carried through by the Council system. The planning organs themselves become enterprises, alongside other enterprises, that fuse into a unity in the council system.

In this context it has to be noted that the composition of the working class, too, is subject to perpetuating change. The 'Fundamental Principles' take as their point of departure the industrial proletariat gathered in the enterprises as the socially decisive class. The Council system based on the enterprises determines the social formation and compels other classes, for instance the independent farmers, to integrate into the economic system. Over the past 40 years the working class, that is the layer of those who work for a wage or salary, has considerably grown but, relative to the mass of the population, the number of industrial workers has decreased. A part of the employees collaborates with the manual workers in the factories, another part works in the field of distribution and administration. Due to the scientific rationalization of production, in part, the universities can be regarded as "enterprises" as well, because the productive forces of science tendentially surpass those of direct labor. And albeit in capitalism surplus value can only be surplus labor, whatever may be the state of science, social wealth in communism is not manifested by an increase in labor, but by the persistent reduction of necessary labor, by the scientific development that has escaped from capitalist barriers. Production is progressively socialized by the participation of ever broader masses in the production processes, that henceforth can only exist in the closest connection and by the reciprocal interpenetration of all kinds of work. In a word, the concept 'working class' is expanding; already today it includes more than 40 years ago. The changing division of labor already contains in itself the tendency towards a dissolution of the professional divisions, of the separation between mental and physical labor, between factory and office, between workers and superiors; a process which, through the implication of all producers in the henceforth socially oriented production, can lead to a council system that effectively includes all of society and thereby puts an end to class rule.

One can very well share the distrust of the 'Fundamental Principles' against the "leaders, specialists and scientists" who arrogate to themselves to control production and distribution, without overlooking the fact that, apart from the leaders, the specialists and scientists are producers themselves. The council system puts them on an equal footing with all other producers and deprives them of the special position they occupy in capitalism. Since backward steps in the social domain are always possible, it is clear that even a council system can decay – for example as a result of the lack of interest of the producers in their

own self-determination and, by consequence, the transfer of functions of the councils to instances within the council system, that become autonomous with regards to the producers. The authors believe that this danger can be thwarted by means of a “new calculation of production as the general basis of production”. But since this calculation of production must first of all be introduced, the hoped-for effect could be lost due to a series of modifications. In the exposition of the authors however the once achieved introduction appears as sufficient. They defend themselves against the prescriptions by persons that is common within state capitalism, which will have to be ruled out by the “objective operation of production” and the control of these persons by reproduction.

The new system of production and distribution itself here guarantees the communist society, although in reality the “objective operation of production” is always secured by persons. In capitalism, too, there is an “objective operation of production”, the one which is given by the law of the market, to which all persons are subject. Here the system dominates men. This fetishistically perceived system only conceals the real social relations of man’s exploitation of man. Behind the economic categories stand classes and persons, and wherever the fetishism of the system is breached, the open struggle between classes and persons appears in broad daylight. Albeit communism is also a social system, it is not placed above men, but is set by themselves. It has no life of its own to which the persons forcibly have to adapt; the “objective operation of production” is indeed prescribed by persons, but by persons united in the council system.

These few objections have to suffice here to indicate that the ‘Fundamental Principles’ do not constitute a finished program, but a first attempt to approach the problem of communist production and distribution. And, although the ‘Fundamental Principles’ are concerned with a state of society that still lies in the future, they are at the same time a historical document that sheds light upon a stage of discussion in the past. Their authors were bound to the questions of socialization which were raised more than half a century ago, and some of their arguments have lost a part of their former actuality. In the meantime, the former dispute between the ‘natural economists’ and the representatives of the market economy, in which the ‘Fundamental Principles’ intervened by rejecting both groups, has achieved its end. In general, socialism is no longer understood as a

new society, but as a modification of capitalism. The market economists speak of a planned market economy, and the defenders of a planned economy utilize market economy. The arrangement of production starting from use value does not exclude the unequal distribution of consumption goods through price manipulations. The “economic laws” are conceived as independent from the social formations and, at most, the dispute revolves around what mixture of capitalism and socialism would be more “economical”.

The “economic principle”, that is, the principle of economic rationality which presumably lies at the basis of every social order and which presents itself as maximal realization of economical goals at the minimal costs, is in reality nothing else than the vulgar capitalist principle of production of profit, which always strives for the maximum of exploitation. The “economic principle” of the working class is, by consequence, nothing else than the abolition of exploitation. This “economic principle”, upon which the 'Fundamental Principles' rely, has until now been reserved for the latter. Besides the obvious exploitation in the so-called “socialist” countries, the academic squabble about socialism in the capitalist countries only revolves about state capitalist systems. “Socialist ownership” of the means of production is always thought of as State ownership, the administrative distribution of goods, with or without a market, always remains the cause of centralized decisions. As in capitalism, exploitation is secured in two ways: by the persisting separation of the producers from the means of production, and by the monopolization of political power. And wherever a kind of “right of participation” has been conceded to or imposed upon the workers, the market mechanism of State exploitation adds self-exploitation to it. Whatever may be the weak points in the 'Fundamental Principles', in view of this situation, they remain the point of departure, today as well as tomorrow, of all serious discussions and efforts for the realization of communist society.

*February 1970,  
Paul Mattick*

# IN PLACE OF A PREFACE

The following work, the fruit of a collective study by the Group of International Communists reveals in its structure such a strongly integrated unity of content that it is possible to speak here of a really positive collective effort. The adoption of the collective method of work in drafting the text, which proves in practice what results can be achieved by a consciously motivated group, is just one of its qualities which is of such great and enduring value.

With this work the Group of International Communists have put forward for debate, for the first time in the post-war history of the working class movement, the practical possibility of ordering social production and distribution on the basis of a use-value economy. They have brought together all the experience accumulated as a result of earlier attempts, by theoretical representatives of the working class of a previous era, to solve this most ultimate and conclusive of all areas of the revolutionary theory of the proletariat, in order that the root causes which in the final outcome render all those earlier efforts scientifically untenable may be laid bare and so prevented from generating further confusion.

On the other hand, taking as its starting-point the established principles of scientific communism and combining these with such of the work of previous authors as has been to any degree positive, the work simultaneously reveals new social relations and economic interconnections which in their totality establish the economics of communism upon a firm scientific foundation. It concerns itself not only with the necessity for economic transformation and construction in the sphere of industry, but also reveals the necessary links with the agricultural economy. In this way the authors provide a clear insight into the internal interconnections and the law-given mode of development characteristic of the entire economic organism of the growing communist society.

The simple language and the clear methods of analysis employed, which are understandable to every class-conscious worker, ensure that every revolutionary who diligently studies the following pages can also fully grasp their content. The clarity and disciplined objectivity of the writing likewise open up the possibility

of a broad arena of discussion within the working class movement, one which can draw into its orbit all the varied schools of opinion represented within its ranks. Since we Council Communists also, within our own ranks, must subject the possibilities projected here to the most thoroughgoing discussion, we reserve for a latter date the final expression of our standpoint towards the exposition which follows.

There is one wish, however, which we would like to extend to this text to help it on its way: the work *Fundamental Principles of Communist Production and Distribution* will have proved its success finally and for all time when all revolutionary workers have consciously read through its pages and brought the accumulated experience contained therein into practical application in the struggle for the victory of the proletarian cause, the victory of communism! The struggle is hard, but the final goal is worthy of it!

*Berlin, 1930*

*GENERAL WORKERS' UNION*

*REVOLUTIONARY FACTORY ORGANISATION OF GERMANY*

# Chapter I

## STATE COMMUNISM OR THE ASSOCIATION OF FREE AND EQUAL PRODUCERS

### I. STATE COMMUNISM

The attempts made in Russia to construct a communist society have introduced into the field of human practice a sphere which previously could be treated only in theory, at least as far as industrial production was concerned. Russia has attempted to order economic life according to the principles of communism ... and in this has failed completely! The fact that wages no longer increase to correspond with the rising productivity of labour<sup>[1]</sup> provides sufficient evidence of this. A greater degree of productivity achieved by the system of social production brings with it no commensurately greater share in the social product. This indicates that exploitation exists. Henriette Roland-Holst proves that the Russian worker today is a wage-worker. One may try to make light of the matter by referring to the fact that Russia is still an agrarian country in that private ownership of land still exists, and that because of this the very basis of wage-labour necessarily imposes itself upon the whole economic foundation of social life. Whoever finds this explanation satisfactory may indeed be perceiving the economic foundations of present-day Russia in an objectively correct light, but in respect of the gigantic attempts of the Russians to implement a communist economy that person has nevertheless learnt nothing. It is for this reason that doubts have arisen amongst many proletarians concerning the method which is being applied by the Russians, and which it is supposed will lead to the establishment of communism. It is a well-known method, which in a few words may be summed up as follows: the working class expropriates the appropriators and places control over the means of production in the hands of the state, which

then proceeds to organise the various branches of industry and places them as a state monopoly at the disposal of society.

In Russia matters developed in such a way that the proletariat was able to take command of the factories and to continue running them under its own management. The Communist Party, as the sovereign wielder of state power, then issued directives according to which the factories were to link together their Workers' Councils (Soviets) at communal, district and gubernial (county) level, in order to unite the whole of industrial life into one organic unit. In this way the productive apparatus was built up out of the vital energies alive in the working masses. It was an expression of the drive towards communism which lived in the proletariat. All forces were directed towards the centralisation of production. The 3rd Congress of the All-Russian Economic Council took the decision:

"Centralised administration of the peoples' economy is the most certain means in the possession of the victorious proletariat for achieving the most rapid development of the productive forces throughout the whole country ... It is simultaneously the precondition for the socialist construction of the peoples' economy and for incorporation of the smaller enterprises into the unified economic structure. Centralisation is the sole means for avoiding any tendency towards a fragmentation of the peoples' economy."<sup>[2]</sup>

In just the same way as, at the commencement of this development, the essential element in the situation lay in the fact that control over the management of industrial production was in the hands of the masses, with an equally inexorable compulsion was it inevitable that at a later stage these powers would be transferred to the central administrative organs. If at first the directorates, communal councils etc. were responsible to the masses of workers, the producers, in the end they became subordinated to the central administration, which directed the whole. At the beginning: responsibility from below; at the end: responsibility from above. It was in this way that in Russia a gigantic concentration of productive forces as no other land on earth had ever attempted was carried through. Woe betide that proletariat which is compelled to struggle against such an apparatus of power!. And in spite of all, this is the reality which has overtaken Russia! There can now be not the slightest doubt: the Russian

worker is a wage worker, a worker exploited! These workers must struggle for their wages against the mightiest state apparatus the world has ever known!

The fundamental point to which we would draw attention here is that, in the case of this form of communism, the proletariat has no control over the productive apparatus. In the mere formal sense, it is the owner of the means of production, but it nevertheless has no right of disposal over them. Precisely what proportion of the total social stock of products the producer may receive in return for the work performed is determined by a central administration which, if everything proceeds according to plan, determines this on the basis of statistics. In reality, the decision as to whether or not exploitation should take place is vested in a central authority. Even in the case in which a benevolent administration is in command, which then distributes the products in an equitable way, it remains nevertheless an apparatus which has elevated itself over the producers. The question then becomes one as to whether this state of affairs has come to pass in Russia on account of the special conditions prevailing there, or whether in this case we have a characteristic feature typical of each and every central administration concerned with production and distribution. Should the latter be the case, the possibility of establishing communism would become very problematical indeed.

## 2. VARYING MARXIST OPINIONS

With the single exception of Marx, we find in the case of virtually all writers who have concerned themselves with the organisation of economic life in a communist society the same principles being advocated as those which the Russians have applied in practice. In this, they base themselves upon the well-known dictum of Engels: "The proletariat conquers state power and as its first act proclaims the means of production to be state property."<sup>[3]</sup> They then set about the task of centralisation and begin to construct organisations of a similar type to those which the Russians have called into being. Thus for instance write Rudolf Hilferding and Otto Neurath, names which could be extended by a whole series of other 'experts':

"Exactly how, where, in what quantity and by what means new products will be produced out of the existing and man-made means of production ... is decided by the social commissariats of the socialist society at national or local level. It is they who mould with conscious intent the whole of economic life, utilising for this purpose all the instruments at the disposal of organised production and consumption statistics, in accordance with the needs of the communities as they, the social commissariats, have consciously represented and formulated them."<sup>[4]</sup>

And Neurath expresses this even more clearly:

"The science of the Socialist economy recognises only one single economic master: society itself, which, without reckoning of profit or loss, without the circulation of any form of money, whether it be precious metals or 'labour money' reflecting an economic plan, organises production without the aid of any unit of accounting control and distributes the means of life according to Socialist principles."<sup>[5]</sup>

Anyone can see that they both arrive at the same kind of social structure as that erected by the Russians. Even if we assume such structures are actually viable (a fact which we deny) and that the central administration and the organs of social control would be willing or able to distribute the mass of products in an equitable way in accordance with the accepted differing standards of living - even then, and even if we assume that the myriad economic exchanges involved occur smoothly, the fact would still pertain that the producers have in reality no right of control over the productive apparatus. It becomes not an apparatus of the producers, but one placed over them.

Such a state of affairs can lead to nothing other than the forcible suppression of groups which, for whatever reason, come to adopt a position of opposition over and against the administration. *The central economic power is simultaneously the political power.* Every oppositional element which, in respect of either political or economic affairs, wishes to arrange matters differently to that willed by the central administration will be suppressed with all the means at the disposal of the all-powerful state apparatus. It is certainly not necessary to give concrete examples of this - they are already familiar enough. In this way the Association of

Free and Equal Producers proclaimed by Marx becomes a prison-state such as humanity has never before experienced!

The Russians, no less than all the other theoretical schools, call themselves Marxists and of course proclaim their theory to be true communism. In reality, however, it has nothing to do with Marx. It is bourgeois economics, a capitalist administration and control of production projected in communist terms. The historical perspective's of the Bolshevik tendency are expressed in the fact that they have observed how, already under capitalism, the production process becomes subject to an ever greater degree of socialisation. The free producer of commodities is hemmed in on every side by trades unions, trusts, etc; production is indeed already "communist!:

"The overcoming of capitalist modes of thought as an incipient social phenomenon presumes the carrying through of an all-embracing process. It is highly likely that Socialism will first of all establish itself as an economic order, so that socialists will first be created through the Socialist order, and not, conversely, the Socialist order through the socialists - a sequence which, furthermore, stands in complete harmony with the basic ideas of Marxism."<sup>[6]</sup>

Should it be the case that the economy has become "communist" in this way, it is necessary only that the production relations be transformed in such a way that the means of production become state property, and then:

"... a socially planned regulation of production in accordance with the needs of the community and of each individual takes the place of the anarchy of social production."<sup>[7]</sup>

On the basis of this plan-determined control they then construct their system further. In order to bring the plan to completion, it is necessary only to install a new management in charge of the capitalist production apparatus - and communist society is there, ready made!

This perspective of communism, according to which the proletariat only needs to place a new management in charge of production in order that, with the help

of statistics, this will then arrange everything for the best in the best of all possible "communist" worlds, derives its basic origin in consciousness from the fact that the type of economist or sociologist, whose brainchild this is, is unable to conceive of the growth of planned production as an aspect of the development of the working masses themselves, but can conceive of it only as a process which they - the economic experts - are called upon to carry through and complete. Not the working masses, but they, the leaders, are destined to guide the bankrupt capitalist system of production into communism. It is *they* who have the knowledge, they who think, organise and order. The sole role which the masses have to fulfil is to endorse which they in their wisdom have decided. Towering above the mass of working people stand the economic experts and leaders with their science, looked up to in reverence by the masses as the custodians of a temple of social marvels which remains closed to them. Science would then be the possession of the great men, from whom the light of the new society beams out. Needless to say, in this form of society, the producers have no control or administrative power whatever over production, so that the picture thereby painted represents a strange version indeed of Marx's concept of the Association of Free and Equal Producers.

All plans of this kind bear clearly the birthmarks bestowed on them by the period of history in which they have been born: in this case, *the epoch of the development of the mechanical sciences*. The productive system is conceived as an intricate mechanism which functions through thousands and tens of thousands of gears and cog-wheels. The various parts of the productive process function integrally with one another in much the same way as do the separate yet interdependent partial functions of a production belt, like those found in a modern factory - for instance, Ford. Here and there stand the controllers of the production apparatus, who control the operation of the machines by means of their statistics.

These mechanical plans have their origin in a fundamental error, namely, the idea that communism is primarily a matter of the ordering of organisational-technical processes. In reality, the fundamental question is an economic one: *how the basic relationship between producer and product is to be determined*. It is for this reason that we say, in respect of this mechanical conception, that it is necessary to find the foundation which will enable the producers themselves to

construct the edifice of production. This act of construction is a process which proceeds from below upwards and not from above downwards. It is a process of concentration which is fulfilled by the producers themselves, and not in such a way as if mana from heaven were to fall upon them from above. If it is our wish to take the experience of the revolution to heart and to follow the guidelines given us by Karl Marx, it is even now possible for us to make appreciable progress along this road.

### 3. NATIONALISATION AND SOCIALISATION

Although no one has left us with a detailed description of a communist society, the adoption of the viewpoint of Karl Marx, that this new mode of social production would in essence be *an Association of Free and Equal Producers*, and would come into being quite independently of the theories of Social Democrats, or even communists, seems a reasonable one. It is not the state which is conceived as being the leader and administrator of production and distribution, but far rather it is the producers and consumers themselves to whom these functions would fall.

The reformist school has in the course of years turned this theory completely upside down. The struggle for social reforms and the steady transformation of the various branches of industry into state or municipal enterprises meant for them a steady approach towards communism. Wherever capitalist development had brought any particular branch of production to such a degree of concentration that it could function as a unitary structure under central administration, then this would indicate that it was ripe for nationalisation. Whilst reformist Social Democracy conceived of realising communism through a continuous and gradual process of nationalisation, the revolutionary Bolshevik tendency considered that a revolution was necessary in order to complete the process of nationalisation. *Thus the conception of the men from Moscow is based on fundamentally the same theoretical methods as that of the reformists.* During and after the revolution those industrial units which have become ripe for nationalisation will be operated through the state, whilst that part of the

economy which is not yet sufficiently concentrated will remain in the hands of private capital.

The Russian Revolution proceeded according to this scheme. In the year 1917 the producers in Russia began to expropriate the owning class throughout the whole economy, with the intention of ordering production and distribution according to communist principles. The process of expropriation began from below, to the great discomfiture of those who wished to lead and administer the economy from above. It was in this way that the Russian economic administration returned to their former owners many factories which had been expropriated by the workers, because they were considered not yet sufficiently "mature" for communist administration. The First All-Russian Congress of Economic Councils thereupon decreed the following decision:

"In the sphere of the organisation of production, it is necessary to introduce final measures of nationalisation. It is necessary to move forward from the implementation of nationalisation measures for separate enterprises (so far 304) to the consistent nationalisation of industry as a whole. *Nationalisation must not be a matter of occasional expediency, and must be carried out only by the Supreme Council of Peoples' Commissars, with authorisation by the All-Russian Congress of Economic Councils.*"<sup>[8]</sup>

Here we see quite clearly the difference between nationalisation according to the Social Democratic ideal and the actual communist conception of socialisation.

In this we also see the distinction between industrial enterprises which are considered already ripe for communism and those which are not, a concept of which Marx apparently would never have dreamed. F. Oppenheimer has very correctly observed in the Symposium edited by H. Beck on 'Methods and Aims of Socialisation':

"The illusion gains ground that the Marxist concept of 'socialisation' is being promoted step by step through the widespread characterisation of nationalisation or municipalisation of individual industrial enterprises as a form of socialisation. It is for this reason also that an otherwise incomprehensible and mysterious emphasis is placed upon 'mature

enterprises ...'. For Marx, however, socialist society can become mature only *as a whole*. Separate industrial establishments or branches of such establishments can, according to him, just as little become 'mature' and 'ready for socialisation' as the separate organs of an embryo in the fourth month of pregnancy can become mature and be delivered to lead an independent existence."<sup>[9]</sup>

"What then becomes apparent is that this *nationalisation* can only lead to the construction of *state socialism*, in which the state emerges as a single vast employer and exploiter."<sup>[10]</sup>

The aim however should be not to restrict the energy of the masses, who themselves carry out the process of socialisation, but to incorporate them as living cells into the whole organism of communist economy - a development which, in its turn, becomes possible only if and when the appropriate general economic conditions are present. The creators of use-values are then able themselves to integrate their factories into the overall sphere of social production, and so to determine the basis of the relationship of the producers to the social product.

The only writer who, as far as we know, tries to speak the truth on matters of this kind is the reformist H. Cunow. He says:

"In the last analysis, it is nevertheless Marx's intention, in opposition to the Cobden School, that a fixed control of the economic process should be applied. *Not, however, through the state, but through the unification of the free associations of the socialist society.*"<sup>[11]</sup>

In the section on "The Negation of the State and State Socialism", Cunow shows us how German Social Democracy came to desert this standpoint only gradually. At the beginning the movement opposed those tendencies which wished to bring large undertakings such as railways and mines under state administration. One example will suffice. On page 340 of the above-mentioned work we read how, in an article, W. Liebknecht expounded the view:

"It is intended gradually to nationalise one industrial enterprise after another. In other words, to replace the private employers with the state, to continue capitalist industry only with a different exploiter ... It (the state) appears as employer in the place of the private employers, and the workers gain nothing from this, although indeed the state has strengthened its power and its means of oppression ... The more bourgeois society comes to realise that it cannot defend itself for ever against the tide of socialist ideas, the more do we approach that moment at which state socialism is proclaimed in real earnest, and the last battle which Democracy has to fight out will be waged under the slogan: "Forward to Social Democracy, forward to State Socialism!"<sup>[12]</sup>

Cunow then demonstrates that this standpoint was already abandoned before 1900, and in 1917 K. Renner declared: "The state will become the lever of socialism" (See: Marxism, War and the International). Cunow is in full agreement with this, but it remains to his credit that he makes it fully clear that all this has nothing to do with Marx. Cunow makes it a matter of complaint against Marx that he made so sharp a distinction between state and society, which in his view does not exist, or at least is no longer a valid concept.

With their practice of nationalisation according to 'mature' industrial enterprises, such as has been implemented in Russia, the Bolsheviks have in reality given Marxism a slap in the face. Indeed, they have thereby transferred their allegiance to the social-democratic concept of the identity of state and society. In Russia, this practice is already making its results felt in the most oppressive way. Society does not hold control over the means of production and the production process. These are in the hands of the ruling clique, which appoints and administers everything "in the name of society" (Engels) ... . That is to say, they are in the position to suppress by hitherto unprecedented means each and every group or individual attempting to oppose the new form of exploitation. Russia, which should have been an example of communism, has by this means developed into the ideal of the social-democratic future.

We have dwelt at somewhat greater length upon this type of nationalisation in order to show that this has nothing in common with Marx, and that Marxism is in fact compromised thereby. It was especially after the experience of the Paris

Commune that the view began to gain ground with Marx that the organisation of the economy *could not be realised through the state but only through a combination of the Free Associations of the Socialist society*. With the discovery of the precise forms by means of which the proletariat organises itself for revolutionary class struggle, for the conquest of economic and political power - the Workers' Councils - the historical foundations on the basis of which the society of freely associating producers must be historically constructed are brought to light and fully revealed for all to perceive and comprehend.

#### 4. THE AVERAGE SOCIAL HOUR OF LABOUR

Marx therefore took his stand upon the concept of the "Association of Free and Equal Producers". This Association, however, has nothing in the least to do with the vague concepts of 'mutual aid' which are currently circulating, but has a very material basis. *That basis is the computation of the labour-time which is necessary in order to produce use-values*. As will be demonstrated in the course of this text, this has nothing to do with value. That this was also consistent with Engels' viewpoint can be seen from the following:

"Society will be able to calculate in a simple way how many hours of labour are contained in a steam engine, a bushel of the last crop of wheat, or a hundred square yards of cloth of a specific quality. It could therefore never occur to it to go expressing the quantities of labour put into the products, quantities which it will then know directly and absolutely, in yet a third product, in a measure which, moreover, is only relative, fluctuating and inadequate, though it was formerly unavoidable as an expedient, rather than express them in their natural, adequate and absolute measure: *time*."

[13].

Marx also very clearly indicates the labour-hour as the unit of computation. In his well-known discussion of "Robinson on his Island" he says of this island inhabitant:

"Necessity itself compels him to divide his time with precision between his different functions. Whether one function occupies a greater space of his total activity than another depends on the magnitude of the difficulties to be overcome in attaining the useful effect aimed at. Our friend Robinson Crusoe learns this by experience, and having saved a watch, ledger, ink and pen from the shipwreck, he soon begins, like a good Englishman, to keep a set of books. His stock-book contains a catalogue of the various objects he possesses, of the various operations necessary for their production, and finally, of the labour-time that specific quantities of these products have on average cost him. All the relations between Robinson and these objects that form his self-created wealth are here so simple and transparent that even Mr Sedley Taylor could understand them."<sup>[14]</sup>

"Let us finally imagine, for a change, an association of free men, working with the means of production held in common, and expending their many different forms of labour-power in full self-awareness as one single social labour force. All the characteristics of Robinson's labour are represented, but with the difference that they are social instead of individual."<sup>[15]</sup>

We see here that Marx, in his "Association of Freely Associating Producers", conceives in exactly the same way of a computation of labour-time, and indeed on the selfsame basis of the labour-hour. Where, however, Marx has set his freely associating producers in place of Robinson, we now see that we can just as readily place the system of social book-keeping which communism places at society's disposal, to arrive at the following paraphrase of Marx's text:

"Its stock-book contains a catalogue of the useful objects it possesses, of the various operations necessary for their production, and finally, of the labour-time that specific quantities of these products have on average cost it. All the relations between the members of society and the objects that form their self-created wealth are here so simple and transparent that anyone could understand them."

Marx assumes this system of social book-keeping to be in general applicable to a production process in which labour is social; that is to say, it is equally applicable whether communism is still at an early stage of its development, or whether the

principle "From each according to his abilities, to each according to his needs" (the higher stage of communism) has already been achieved. In other words: the organisation of economic life may in the course of the various periods of development move through various stages, *but the stable basis for all of them nevertheless remains the unit of average social labour-time.*

That Marx did indeed understand the matter thus is for instance apparent from the fact that he is at pains to demonstrate with special emphasis that distribution can assume various forms. Neurath infers from this that Marx has posed the question in such a way as to suggest that we have a free choice as to *how* the products are to be distributed. A strange error indeed for such a "Marx expert" who surely must know that Marx knows nothing of freedom in this matter, but only of functionally derived organic necessity. Freedom of choice in respect of a system of distribution is circumscribed within the limits set by the structure imposed through the system of production. Nevertheless, this is subject to certain modifications which will be discussed later.

"All Robinson's products were exclusively the result of his own personal labour and they were therefore directly objects of utility for him personally. The total product of our imagined association is a social product. One part of this product serves as fresh means of production and remains social. But another part is consumed by members of the association as means of subsistence. This part must therefore be divided amongst them. The way this division is made will vary with the particular kind of social organisation of production and the corresponding level of social development attained by the producers."<sup>[16]</sup>

If, taking this as his basis, Marx was very well able to provide the fundamental category determining, in a communist society, the method of economic regulation and accounting control applicable in the sphere of production, in the case of the sphere of distribution he demonstrates this purely by way of example. Thus he writes further:

"We shall assume, but only for the sake of a parallel with the production of commodities, that the share of each individual producer in the means of subsistence is determined by his labour-time. Labour-time would in that

case play a double part. Its apportionment in accordance with a definite social plan maintains the correct proportion between the different functions of labour and the various needs of the associations. On the other hand, labour-time also serves as a measure of the part taken by each individual in the common labour, and of this share in the part of the total product destined for individual consumption. The social relations of the individual producers, both toward their labour and the products of their labour, are here transparent in their simplicity, in production as well as in distribution."<sup>[17]</sup>

Marx also reveals elsewhere in his text that he conceives labour-time to be the basic category of the communist economy:

"With collective production, money-capital is completely dispensed with. The society distributes labour-power and means of production between the various branches of industry. There is no reason why the producers should not receive paper tokens permitting them to withdraw an amount corresponding to their labour time from the social consumption stocks. But these tokens are not money. They do not circulate."<sup>[18]</sup>

If it is individual labour-time which is to serve as the measure for the product to be individually consumed, then the mass of products must also be measured according to the same yardstick. In other words, the products must have impressed upon them how much human labour-power, measured in time, how many average social hours of labour, they contain. This assumes, however, that the other categories of production (means of production, raw and auxiliary materials, etc.) have been measured according to the same scale, so that the entire system of accounting control for production in the separate industrial establishments must be based upon the average social hour of labour. Then one can with all justice declare: "The social relations of human beings towards one another, both as regards their labour and the products of their labour, remain here simple and clearly understood, in production as well as in distribution."

Thus we can see that Neurath is in error when he assumes that production and distribution have so little connection with one another that we can have "free choice". Quite the contrary! If Marx adopts individual labour-time as the

measure determining the individual's share in the product, then by this means he simultaneously lays the basis for the relationship between producer and product, according to which the foundations of production are also determined.

Let us now return to the question as to whether or not a system of planned use-value production, such as would be expressed in an organically integrated economic apparatus, of necessity must lead to a system which raises itself as an alien force over the producers. We say: *No! In a society in which the relation of the producers to the social product is directly expressed, this danger does not exist. In every other social formation in which this principle does not pertain, the system of production must finally and inevitably develop into an apparatus of oppression.*

## 5. TOWARDS THE ASSOCIATION OF FREE AND EQUAL PRODUCERS

In the form of its system of production, humanity has created an organism designed to satisfy the needs of tens of thousands of human beings. In the course of their production, we use up both our own labour-power and the production process itself. Seen from this point of view, the process of production is simultaneously a process of destruction, a process of the using up of resources; nevertheless, through this very process of destruction we continuously create new use-values. That which has been consumed is born again in the same process. Machines, tools, our own labour-power, are simultaneously renewed in this process, are produced anew, or *reproduced*. It is an unremitting stream of reformed human energy, energy changed from one form into another. Each specific form is crystallised human energy, which we can measure according to the time during which labour is expended in order to create it.

The same yardstick applies to that part of the production process in which no physical products are created, such as for instance education, the health service, etc. Here also means of production and labour-power are expended, in which cases the product simply takes the form of the instruction received, the care given to the sick, etc. Distribution takes place directly in and through

production itself, and the expended energies flow in their new form directly into society. Because of the fact that we are able to measure these energies in time, a fully exact relation between producer and product is established. The relation of each individual producer to each specific social product is in this way rendered wholly and clearly perceivable.

In the case of the organisation of production according to the schemes of Neurath or Hilferding, or as it is implemented in Russia, this relationship is, on the contrary, *completely concealed*. Here it is a process veiled in mystery, and the producers themselves certainly know even less about it than the state administrators. In this case, therefore, a definite proportion of the social product must be allocated to the producers by a superior authority, and the former must await trustfully that which they are to receive. This is how matters proceed in Russia. Although productivity may rise, although the mass of social products may increase, the producer nevertheless receives no increase in the share - that is to say, exploitation exists.

What should the producers undertake against this? Nothing? Yes indeed, they must take up once again the cause of struggle against the exploiter, against those who hold control over the system of production in their hands! One may attempt to place "better leaders" in power, although this of course does not lead to the removal of the causes of exploitation. In the final analysis, there remains no other road forward than that of reconstructing the entire system of production in such a way that the exact relationship of the producers to the products fashioned by their labour becomes the foundation of the social system of production. In such a system, however, the task of the leaders and administrators in respect of the allocation of the products is also eliminated. *There remains nothing to allocate*. The share in the social product is determined directly. Labour-time serves as the measure for determining the proportion of the total product to be individually consumed.

The question as to whether or not the proletariat, in the course of a communist transformation of society, succeeds in establishing this relationship between producer and product is in the final instance a question of social power. It is on this basis, and this basis alone, that planned production is possible. The separate industrial units, and indeed whole industries, can then be integrated both

horizontally and vertically into a single planned whole, whilst all sections compute quite autonomously their share in the total accounting of labour-time used up in its various forms, these being essentially: wear and tear on machinery, consumption of raw and auxiliary materials and expenditure of labour. This fundamental ordering and organisation of communist production can, and indeed *must*, be brought into being by the producers themselves, can indeed be established *by them alone*. The Association of Free and Equal Producers then becomes an absolute necessity. The system of interlocking relations and mutual interdependence grows from below, precisely because the producers themselves, in their own right, have control over management and administration. Now the necessary scope has been created to allow for the initiative of the producers themselves to be expressed, who are thereby able to create the moving and developing forms needed by social life in all their thousandfold forms.<sup>[19]</sup>

*It is the proletariat itself which lays in place the foundation-stone cementing the basic relationship between producers and the product of their labour. This and this alone is the key question of the proletarian revolution.* In just the same way as the feudal serf struggled in the bourgeois revolution for his piece of land and for the full right of disposal over the fruits of his labour, in the same way the proletariat now struggles for control of the factories and other industrial establishments and for full right of disposal over production - an outcome which is only possible if the fundamental relationship between producer and product has been fought to its final conclusion in a new social legality. The decisive question at issue here is precisely that of the place the proletariat is to win for itself in society; the question as to whether, along with the right to labour in the work-places, the right of disposal over the products of these work-places is also achieved; or, on the contrary, whether the proletariat is once again to be pronounced incapable of discharging responsibility, and leaders, experts and scientists are to be entrusted with that right of disposal. In the final instance, this struggle will be fought out against those who believe that they are destined, after the revolution, to assume responsibility on behalf of the proletariat. It is for this reason that the cooperation of such people is only appropriate if the foundations of communist production have first been laid. It is this basis alone that their skills may work for society, whereas otherwise they can develop only into a new ruling caste.

The so-called 'dictatorship of the proletariat' suppresses everything which opposes the ruling administration, until all branches of production have become sufficiently "mature" as to be integrated by their respective supreme management bodies into the general structure of power and administration. In the case of the "Association of Free and Equal Producers", workers' rule serves the purpose of introducing and carrying through the new system of production, accounting and regulation on the basis of average social labour-time as the general foundation of all production, and in order to create the basis on which the free producers themselves may control production and administer it. In the case of state capitalism, on the other hand, the general conditions are such as will create the strongest machinery of suppression under the control of a central apparatus. In the case of the system of freely associating producers, it functions so as to bring to life and to promote those very forces through which it itself as the function of rule progressively loses power, in order finally to make itself superfluous; *workers' rule works so as to bring about its own demise at the earliest possible historical moment.*

Without concerning ourselves further with state capitalism, we should far rather now proceed to examine how it comes about that any 'reasonable' person at this present historical juncture may still embrace and adhere to the 'naive' conception of Marx (who is supposed to have derived this out of the liberal-anarchist tendencies of his time).[\[20\]](#) which held that the regulation of economic life should come "about not through the state, but through a union of the Free Associations of the Socialist society", and in which the fundamental category of economic life should be the average social hour of labour. Indeed, over and above all this, it is necessary to take steps to ensure that this 'naive' conception of Marx is shown to be *the sole possible foundation upon which communism might be achieved.* To pose the question in this way means simultaneously to declare that this conception was not in the first place born behind a writing-desk, but was itself the product of a seething, developing revolutionary life-activity.

So far as it is possible for us to look back upon events in review, we may count three decisive moments which marked our disillusionment with the sycophantic hymns chanted by the 'communist economists'. The first was the spontaneous development and functioning of the Soviet system; the second the disarming of the Soviets by the Russian state apparatus; and the third and final moment of

disillusionment the growth of state-administered production into a new, hitherto unknown form of rule over the whole of society. These facts compelled us to undertake a closer examination, an examination which revealed that state capitalism, in both theory and practice, has absolutely nothing in common with Marxism. At the same time as social life itself, through its definite expression, social practice, has, in the form of the Workers' Councils, the Soviet system, impelled Marx's concept of the Association of Free and Equal Producers into the forefront of history, that same social life, with its objective criticism of theory and practice, has simultaneously given the actual power in society to state capitalism.

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## REFERENCES:

[1] Henriette Roland-Holst: *Klassenstrid (Class Struggle)*, 1927, p. 270.

[2] A. Goldschmidt: *Die Wirtschaftsorganisation Sowjet-Russlands (The Economic Organisation of Soviet Russia)*, p. 43.

[3] "The proletariat conquers state power and ... proclaims the means of production to be state property" (Engels)

This is, of course, the well-known quotation from *Anti-Dühring* (Pt. III: "Socialism", Chap. II: "Theoretical", Foreign Languages Press, Peking, 1976, p. 362). It should be noted, however, that in his other great work, *The Origin of the Family, Private Property and the State*, as quoted in Chapter VII of the present work, Engels gives expression to the opposite view of communism, that adopted by his life-long friend and co-worker, Karl Marx, which defines the social foundation of communism as an "Association of Free and Equal Producers".

[4] R. Hilferding: *Finance Capital*, trans. T. Bottomore, p. 28.

[5] O. Neurath: *Wirtschaftsplan und Naturalrechnung (Economic Plan and Accounting in Kind)*, p. 84.

[6] O. Neurath: *ibid.*, p. 83.

[7.] F. Engels: *Anti-Dühring*, Part III; Foreign Languages Press, Peking, 1976; p. 361.

[8.] A. Goldschmidt: *Die Wirtschaftsorganisation Sowjet-Russlands (The Economic Organisation of Soviet Russia)*, p. 42.

[9.] F. Oppenheimer, quoted by H. Beck: *Sammelbuch über 'Wege und Ziel der Sozialisierung' (Symposium on 'Methods and Aims of Socialisation')*, pp. 16-17.

[10.] A. Pannekoek on "Socialisation" in *Die nieuwe Tijd (New Times)*, 1919, p. 534.

[11.] H. Cunow: *Die marx'sche Geschichts, Gesellschafts und Staatstheorie, Band 1 (The Marxist Theory of History, Society and the State, Vol 1)*, p. 30.

[12.] W. Liebknecht: *Staatssozialismus und revolutionäre Sozialdemokratie (State Socialism and Revolutionary Social Democracy)* quoted by H. Cunow in *Die marx'sche Geschichts, Gesellschafts und Staatstheorie, Band 1 (The Marxist Theory of History, Society and the State, Vol 1)*, p. 340.

[13.] F. Engels: *Anti-Dühring*, Foreign Languages Press, Peking, 1976, p. 402.

[14.] K. Marx: *Capital*, Vol. I, Penguin Books, p. 170.

[15.] K. Marx: *ibid.*, p. 171.

[16.] K. Marx: *Capital*, Vol I, Penguin Books, p. 172.

[17.] K. Marx: *ibid.*, p. 172.

[18.] K. Marx: *Capital*, Vol. II, Pt. III, Chap. XVIII, Penguin Books, p. 434.

[19.] Paragraph ending: "... who are thereby able to create the moving and developing forms needed by social life in all their thousandfold forms" How clearly the advent of modern computerisation techniques has highlighted the simple practicability of such a system! Indeed, it may be said that, at least as far as the technical basis of control over production is concerned, the era of the computer represents the dawn of the era of communism.

[20] H. Cunow: *Die marx'sche Geschichts, Gesellschafts und Staatstheorie, Band 1* (*The Marxist Theory of History, Society and the State, Vol 1*), p. 309.

## Chapter 2

# THE PROGRESS ACHIEVED HITHERTO IN DEFINING THE PROBLEM

### I. THE DISCIPLES OF MARX

A survey of the literature of socialism or communism, otherwise so rich, shows that only an extremely meagre body of work has been written concerning the economic foundations of that form of society which it is intended should replace capitalism. With Marx we find the classical analysis of the capitalist mode of production, which concludes with the statement that, through the development of the productive forces, humanity has placed before it the choice either to abolish private ownership of the means of production, in order then to continue production on the basis of social ownership, or - to sink into barbarism. This great scientific achievement lifted socialism out of the realm of utopia and placed it on the firm ground of scientific thought. Concerning the economic foundations of communism, however, Marx gave us only a few signposts showing us by what means they could be laid. In this connection it is his Marginal Notes, known as the *Critique of the Gotha Programme*, which are especially significant. This wish not to treat of the question at any greater length, to give us only a few pointers, does not however represent any kind of fault in the body of Marxist theory, for to have unfolded these questions for full examination would in his time almost certainly have been premature. Such a beginning would almost certainly have ended in utopia, and it was for this reason that Marx himself warned against it. And so this problem has become to some extent a fruit from the tree of forbidden knowledge, and this it has remained to some extent even to this day, in spite of the fact that the Russian Revolution has proved that it is precisely at this historical juncture that it must be solved.<sup>[1]</sup>

In addition to defining the general foundations of the new system of production, Marx also indicated the method of social regulation and accounting control which would find application in the new society, and which we describe as accounting according to average social labour-time. The precondition for the establishment of the general foundations of communism were that money and the market must completely disappear, and that the disciples of Marx, insofar as they concerned themselves at all with the foundations of communist production, did not proceed any further than this. In communism they saw fundamentally nothing other than a continuation of the concentration of economic resources as we have known this under capitalism, which would then bring communism into being quite spontaneously. This outlook is revealed most clearly in the case of Hilferding, who subjects to examination the consequences of a total concentration of capital in the hands of one single owner. He draws the imaginary picture of a mammoth trust and describes this in the following words:

"The whole of capitalist production would then be consciously regulated by a single body which would determine the volume of production in all branches of industry. Price determination would become a purely nominal matter, involving only the distribution of the total product between the cartel magnates on one side and all the other members of society on the other. Price would then cease to become the outcome of factual relationships into which people have entered, and would become a mere accounting device by which things would be allocated among people. Money would have no role. In fact, it could well disappear completely, since the task to be accomplished would be the allocation of things, not the distribution of values. The illusion of the objective value of the commodity would disappear along with the anarchy of production, and money itself would cease to exist. The cartel would distribute the product. The material elements of production would be reproduced and used in new production. A part of the output would be distributed to the working class and the intellectuals, while the rest would be retained by the cartel to use as it saw fit. This would be a consciously regulated society, but in an antagonistic form. This antagonism, however, would express itself in the sphere of distribution, which itself would be consciously regulated and hence able to dispense with money. In its perfected form finance-capital is thus uprooted

from the soil which nourished its beginnings. The circulation of money has become unnecessary, the ceaseless turnover of money has attained its goal in the regulated society, and the *perpetuum mobile* of circulation finds its ultimate resting place."<sup>[2]</sup>

According to this theory, the development towards communism is an unproblematical matter. It is an automatic and contradictionless process, which capitalism itself completes. Capitalist competition leads to the concentration of capital, and by these means large aggregations develop in industry. Within such an aggregation - for instance, a trust which combines transport, mining, rolling mills, etc., in one integrated economic community - a sphere of distribution without money develops. The higher management simply decides to which factory the new means of production (extended reproduction) are to be delivered, what and how much is to be produced, etc. According to this theory the problem of communist production is fundamentally nothing other than the further implementation of this kind of concentration, which then leads to communism quite spontaneously. Private ownership of the means of production will be superseded, for the simple reason it becomes a hindrance to the further combination of industrial establishments. With its elimination the process of concentration can develop to the full and nothing then stands in the way of combining the whole of economic life into one mammoth trust, which is then administered *from above*. The preconditions which Marx laid down for a communist society would thereby have been fulfilled. The market will have disappeared, because one single concern does not sell to or buy from itself. The prices attached to products also then vanish, whilst the higher administration directs the stream of products from one industrial unit to another, according to what they find to be expedient. That it should ever have been thought necessary to measure how much labour each product embodies was obviously a naive error committed by Marx and Engels.

Thus the course of development taken by the science which concerns itself with the communist economy does not assume the form of a straight line, but takes, after Marx, a different direction, to return to its former classic position only at around 1920. In this connection, it is surely a bitter irony that it was precisely the bourgeois economists who unintentionally helped the science of communism to take a generous step forward in its own development. At a time when it seemed

as if the downfall of capitalism was within foreseeable reach and that communism was on the point of taking the world by storm, Max Weber and Ludwig Mises began to develop their criticism of communism. They were of course able to relate that criticism only to the Hilferdingian brand of 'socialism' and - what is essentially the same thing - Russian 'communism', whilst Neurath, the thoroughgoing disciple of Hilferding, was compelled to suffer the consequences of this. Their criticism concluded by demonstrating that an economy without any means of regulation or accounting control, without a general denominator by means of which to measure the value of products, is an impossibility. And indeed their shot had found the right mark. The result was considerable despondency and confusion in the 'Marxist' camp. In the field of economic science the impossibility of communism had been proven, simply on the grounds that, in the case of such an economy, each and every form of planned production would have ceased. Communism, which sought to prove its very right to exist precisely on the basis of the anarchy of capitalist production, showed itself to be even less amenable to a planned mode of operation than capitalism! Block then added his voice by saying there could be no question of communism before it had been demonstrated what means of control was to replace the "market mechanism". Even Kautsky lost his composure and so arrived at the most non-sensical proposals, such as fixing of prices over long periods, etc. These wild somersaults of Kautsky's nevertheless has a positive content, in that, through them, the necessity for a system of social regulation and accounting control became recognised, even if Kautsky did then conceive of this coming into being on the basis of present-day money. He believed that money would be indispensable "as a measure of value for book keeping purposes and as a method of keeping account of exchange relations in a socialist society", as well as "a means of circulation". (K. Kautsky: *The Proletarian Revolution and its programme*, p. 318).

The destructive criticism of communism wrought by Weber and Mises had in reality the effect of helping the study of communist economy over its moment of inertia and to place it on real foundations. It was they who summoned to life those intellectual forces which from that moment on have allowed themselves no further rest, since it was from that moment that it became possible to pursue further the Marxist method of thought in relation to the concept of the average social hour of labour.

As an opposite pole to that of state communism, various syndicalist currents began to appear around the year 1910, which sought to continue capitalist production through "syndicates", "industrial unions" or "guilds". These would then distribute their profits amongst the workers, or profits would be allowed to accumulate in a central social fund. This form of 'communism' was never subjected to any theoretical elaboration, unless we can consider as such the work of Otto Leichter entitled *Economic Regulation and Control in a Socialist Society* which was published in Vienna in 1923. This study is based in general upon the method of social regulation and accounting control founded upon labour-time computation, and is without doubt the best effort hitherto produced in this field. The theory of autonomous economic administration at the hands of the producer-consumers themselves here takes a good stride forwards. In it, the problems are posed quite truthfully, although in our view Leichter fails to develop them to a satisfactory solution. He also declares that, before him, Maurice Bourguin had sought to place the communist economy on the foundation of accounting control on the basis of labour-time expended, and according to Leichter the latter's methods of thought corresponded almost exactly with his own. There were, in addition, various other Marxist economists who recognised the necessity for accounting control in a communist economy to be effected through labour-hours, although none of these adopted the means of production as a category in their method of accounting. For instance Varga, in *Communism*, Year 2, issue 9-10, published an article on this theme. Needless to say, because of the above-mentioned error the result is valueless.

It is however not only in the sphere of economic science that progress can be seen in the definition of the problem, but also in the sphere of the political factors. The economic experts consider communism only from the standpoint of production and distribution. The revolutionary proletariat, however, in reality pursues other motives. The extent to which state communism is economically viable or not is for it fairly irrelevant. For this reason it too rejects it, because practice has proved that the productive apparatus can be taken into *social ownership* whilst still continuing to function as an exploitative apparatus. The Russian revolution, for instance, has indeed revealed the problem in this political light.

Were we to enquire as to what positive ideas and conceptions are today in circulation within the revolutionary proletariat concerning the new communist economy, then we would find that the idea of autonomous administration and management is fairly well developed, but that any closer indication as to how this is to be realised is lacking. Nevertheless everyone now believes that it is absolutely necessary to achieve clarity on these matters.

## 2. FREE COMMUNISM

The plea for clarity appears very strongly in Müller-Lehning's pamphlet, *Anarcho-syndicalism*. He opposes the view that the immediate task is to wreak universal destruction whilst at the same time the task of discovering how society may once again be organised can be left safely to the indefinite future (ibid.; p. 4). A programme is necessary to determine "how anarcho-syndicalism may be realised after the revolution has taken place" (ibid.; p. 5). It is not enough merely to propagate the economic revolution, "but one must also subject to examination how it is to be carried through" (ibid.; p. 6). The Russian anarchists placed the self-initiative of the masses in the foreground, "but the question as to how this initiative was actually to express itself, what the masses were actually to undertake, today and tomorrow - all that remained vague and only slightly positive" (ibid.; p. 7). "Many manifestos made their appearance, but to the question of daily practice it was only very few which could give a clear and simple answer" (ibid.; p. 8). The following is a quotation from Müller-Lehning's pamphlet:

"It is necessary to say the Russian Revolution has posed the question once and for all time: *what are the practical and economic foundations of a society without a wages system?* What is to be done on the day after the revolution? Anarchism will have to answer this question, it will have to take the lesson of the last few years to heart, if total failure is not to find its conclusion in irredeemable bankruptcy. The old anarchist solutions, however much truth they may have contained and however much they may have been chanted in repetition, have solved not a single problem posed by real life. In

particular, they do not solve a single one of the problems which the social revolution has placed before the working class." (Müller-Lehning: *Anarcho-Syndicalism*, p. 10).

"Without these practical realities all propaganda remains negative and all ideals remain utopia. This is the lesson which anarchism has to learn from history, and which - and this cannot be repeated too often - has been proved ever and again through the tragic experience of the Russian Revolution." (p. 11).

"The economic organisations have as their aim the disappropriation of capital and the disarming of the state. It is the productive associations of the workers which must take the place of the organs of capitalism and the state, which must function as the pillars supporting the whole of economic life. *The foundation must be the factory, the factory organisations must form the germinal cells for the new economy and social organisation.* The entire system of production must be constructed on the basis of the federal organisation of industry and agriculture." (Müller-Lehning: *ibid.*; p. 18).

"Whoever wishes to see an end to capitalism and state capitalism must replace these realities of social life with other realities and other economic organisations. That can be done only by the producers themselves. And they can do this only collectively, in and through their own organisations. Collectively in the factory, collectively in industry, etc. They must organise themselves in order to administer the means of production through their federalised industrial organisations, and so organise the whole of economic life on an industrial and federal basis." (Müller-Lehning: *ibid.*; p. 19).

This pamphlet, published in 1927, makes a fundamental advance compared with all others which up till now have appeared as attempting to make a contribution to the clarification of this question. It is not so much that it makes its point in compelling conceptual flourishes, but its great virtue is the fact that it does make the attempt to absorb certain experiences of the Russian revolution and to transform them into weapons for the future class struggle. The vision of a federal structure for economic life has been derived from the first period of the Russian revolution. However, the author demonstrates *ad nauseam* that this in

reality only represented a first attempt to pose a problem, and not a single one of them can he offer a solution.

A French anarchist, Sebastian Faure, attempted to find a solution. His book *Universal Happiness*, published in 1921, depicts his conception of free communism. The importance of this book lies in the fact that it shows that anarchist conceptions of communist society do not necessarily exclude a system of centralised disposal and control over social production. For a close examination of the Faurian system of 'free communism' shows that it is in reality nothing other than vulgar state-communism. Indeed, the book does not bear the character of a scientific examination, but is couched more in the form of a utopian novel in which a "free communist society" is made to grow out of pure fantasy. Nevertheless, the fact that, in opposition to such phrases as "equality for all", "freely concluded agreements" and "the elevating spiritual principle of opposition to the state and state power", a system of production is depicted in which the right of control over production does not lie with the producers themselves clearly demonstrates that, in this particular camp at least, there is absolutely no fear of this particular author giving any evidence whatever of any understanding of the laws of motion applicable to a communist system!

Faure is opposed to power as a "thing in itself", and for that reason he speaks of the hundreds and thousands of threads and links which forcibly bind together against their will all who cooperate in the modern productive apparatus. He writes: "This whole organisation (i.e. his system - Ed.) is founded on the inspiring spiritual principle of free cooperation" (p. 213). We however are of the opinion that this cannot be the foundation of any system of production and reproduction. Should the producers wish to make their rights secure, whether with or without the aid of an "inspiring spiritual principle", then the whole organisation must be founded to a far greater degree upon a firm, material basis. The producers must themselves determine in their workplaces the relationship of the producer to the social product. They must calculate how much labour-time is absorbed in each product, for their labour-time is the measure of their share in the social product. Only then can the entire organisation depend, not on some "spiritual" ideal wafting upon the breeze of some abstract principle, but be founded in economic reality.

In the case of the mutual relationship to be established between the producers themselves, we find once again the same vague, vacillating basis expressed through the concept of "free agreements". Here also there is no clear foundation, no system of time-based regulation and accounting control over the stream of products from factory to factory. But without this material foundation these "free agreements" also remain nothing but empty phrases. "One tries out this, tests the other, combines them and tests the results of the various methods. The resultant unanimity takes form, makes its appeal and pushes through on the strength of its results, and finally triumphs" (p. 334). For Faure, this foundation, grounded in freedom for each and achieved through the unanimity of all, is no more than natural. "Is it not so in nature also? The example of nature is there, clear and distinct. Everything there is joined through free and spontaneous mutual accommodations... The myriad tiny elements, like grains of dust, seek each other out, attract one another, gather together and form an atom" (p. 334).

We would point out in this connection that analogies drawn from nature are always extremely dangerous, and particularly in this special case the Faurian method reveals "clearly and understandably" how wholly inadequate it is. In Faure's world everything is joined through "free and spontaneous mutual accommodations". However, what is in fact so wonderful is the way in which, without further thought, the human concept of freedom is transferred to the field of nature. In the realm of "pure metaphor", of course one can escape from any responsibility. In this case Faure overlooks completely the decisive moment at which these "free and spontaneous mutual accommodations" actually arise in nature; that moment is, of course, determined by the mutual relations of forces between the participating members. If the sun and earth conclude a "free and spontaneous agreement" with one another that the earth should revolve around the sun in 365 days, *this is amongst other things determined by the mass of the sun and the earth respectively in relation to one another*. This is the real material foundation on which their "free mutual accommodation" is concluded.

It is always thus that matters are ordered in nature. Its atoms, or any other form of matter in motion, enter into relations based upon a balance of opposed forces. The exact form of this relationship is determined by the specific nature of the forces at work between the two opposed yet united partners. It is for this reason that we also are pleased to adopt this example from nature, but we do so

only in order to demonstrate by these means how an exact relationship of the producer to the product must be present if such a "free and spontaneous mutual accommodation" is to be concluded successfully in the conditions of human society. It is by these means that this agreement is transformed from a mere phrase into reality. Although it is obvious that Faure has never actually concerned himself with economic problems, it soon becomes apparent that he is a representative of the Neurath school, that is to say, a "natural" economist.<sup>[3]</sup> As we have already seen, this school considers a unit of regulation and accounting control to be absolutely superfluous, and proposes to achieve the same result by means of a production plan drawn up with the help of statistics:

"It is also necessary above all to determine the total demand for, and the quantity of, each separate need. ... The communes should then make these needs known to the Central Administration Office responsible for the whole national economy, according to the number of inhabitants, whereby the officials there obtain a survey of the total needs of the 'nation'. Each commune then produces a second list indicating how much they are able to produce, from which the 'central administration' is now able to assess the productive forces of the 'nation'. The outcome of the process is very clear. The higher officials should now determine which proportion of production is to be allotted to each commune and which proportion of production they may retain for themselves". (S. Faure: *Universal Happiness*, pp. 215-6)

This procedure is exactly the same as that conceived by the state communists: down below - the masses; above - the officials, who retain the management and administration of production and distribution in their hands. With such a system, society is not founded on economic reality but is dependent upon the good or bad will of individuals, or upon their administrative ability - something that Faure readily admits. In order that there should be no doubt concerning the need for a central right of control, he adds: "The central administration knows the extent of total production and total demand and must therefore inform each local committee as to how much product it has at its disposal and how much means of production it must produce" (p. 218). In order to be quite clear that all this has nothing to do with any specific kind of *free communism*, we will

compare it with the *social-democratic communism*<sup>[4]</sup> described by Hilferding . We will see that the two agree with one another almost word for word:

"Exactly how, where, in what quantity and by what means new products will be produced out of the existing natural and man-made means of production ... is decided by the commissariats of the socialist society at national or local level. *It is they who mould with conscious intent the whole of economic life, utilising for this purpose all the instruments at the disposal of organised production and consumption statistics*, in accordance with the needs of the communities as they, the social commissariats, have consciously represented and formulated them."<sup>[5]</sup> (Authors' emphases - Ed.)

From this it is quite clear that in this form of 'free communism' the right of disposal over the productive apparatus is given to those who are well acquainted with the tricks of the statistical art. One would have thought that the anarchists would have learned enough about political economy to have known that whoever holds control over the productive apparatus also disposes over the power in society. The "central administration" described above is compelled to provide for itself the means for making its will effective, that is to say, it must set itself up as a state. This indeed is one of the laws of motion of the Faurian system, whether this is Faure's intention or not; it is also quite immaterial whether the dish is served up with a sauce composed of "free agreements", or with the gravy of a "spiritual principle. Such condiments disguising the true flavour of the dish would not disturb the actual political and economic realities in the slightest!

The substance of the matter is not that one would hold it against the Faurian system that it seeks to forge the entire economy into one single unit; such an act of combination is indeed the end purpose of the process of development which is brought to fruition by the combined producers and consumers. Having done this, however, the basis must then be provided *to ensure that they themselves - the producers and consumers - keep control of it*. To achieve they must keep an exact account of the labour-hours used up, in every form of economic activity, in order that they may know exactly how much labour-time is embodied in each product. Then it is quite unnecessary for the right of decision as to how the

social product is to be distributed to be handed over to any "central administration"; on the contrary, the producers themselves in each factory or other establishment can then determine this through their computation of labour-time expended.

Faure's *Universal Happiness* makes not the slightest contribution to our knowledge of communist production and distribution. If we have looked into this work a little more closely, it has been solely for the reason that, through making a sharp criticism of such fantasies concerning the "free communist society" it is possible to demonstrate clearly just how much progress in this sphere has been achieved over the last decade. Before 1917 it was impossible to uncover the state-communist kernel lying concealed within this mountain of misleading phraseology. Above all else it has been the school of practice embodied in the Russian revolution which we must thank for this knowledge, because it is this which has shown us in unmistakable terms exactly what the consequences are of permitting a central authority to establish itself as a social power which then proceeds to concentrate in its exclusive hands all power over the productive apparatus.

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## REFERENCES:

[1] Paragraph ending: "And so this problem has become ... a fruit from the tree of forbidden knowledge, and this it has remained ... in spite of the fact that the Russian revolution has proved that it is precisely at this historical juncture that it must be solved".

We find here yet a further example of the view, universally current amongst socialists and communists at the time of the First World War and the wave of revolutions which followed in its wake, that the proletarian revolution would be fought to a relatively rapid conclusion primarily within the European arena and within the same historical era - in short, that the First World War and the wave of European revolutions which followed it would mark the end of capitalism and the dawn of communism as a result of the proletarian revolution.

Apart from the rather obvious fact that a significant element in this belief reflected the primarily emotively based euphoria then quite understandably prevalent amongst the participating revolutionary groups, it has since come to be understood by Marxists that the resilience of the capitalist system and its capacity to absorb intense contradictory upheavals and social antagonisms is and was immense, and that consequently a great deal of further capitalist 'development' would have to take place throughout the world, but particularly in its underdeveloped periphery, before conditions would be ripe for successful proletarian revolutions in any part of the world.

[2] R. Hilferding: Finance Capital, trans. T. Bottomore, p. 234.

[3] "natural economist".

By "natural economist" is meant one who believes that a classless, non-antagonistic society must of necessity be one the economic basis of which rests upon relations founded on the exchange of goods "in kind", i.e., upon direct barter.

[4] "social-democratic communism".

The term "state communism" would be more applicable here.

[5] R. Hilferding: Finance Capital, trans. T. Bottomore, p. 28.

## Chapter 3

# THE REPRODUCTION PROCESS IN GENERAL

### I. UNDER CAPITALISM REPRODUCTION IS A FUNCTION OF THE INDIVIDUAL CAPITALIST GROUPS

Humanity has fashioned for itself the apparatus of social production as an organ for the satisfaction of its thousandfold needs. The productive apparatus - that is say, the collective means of production - serves human society as a tool with which to wring from nature that which necessary to its existence and higher development. In the course of manufacture, the production process, both our labour-power and the objective apparatus itself, are consumed. Seen in this way, the production process is also a process of destruction, of the using up of resources. But it is simultaneously a process of creation. What has been used up is in the same process born again: machines, tools and our labour-power are consumed and simultaneously renewed, produce and reproduce themselves over and over again. The social production process proceeds like the life process itself in the human body. Through self-destruction to self-renewal in a continuous ever more complex form:

"Whatever the social form of the production process, it has to be continuous, it must periodically repeat the same phases. A society can no more cease to produce than it can cease to consume. When viewed, therefore, as a connected whole, and in the constant flux of its incessant renewal, every social process of production is at the same time a process of reproduction."<sup>[1]</sup>

For communism, this paragraph acquires an especial significance, because production and reproduction are consciously derived from this principle, whilst in the case of capitalism the process completes itself spontaneously through the market mechanism. Reproduction rests on the fact that, for each product consumed, a new one generally must take its place. In the case of communist society, this means that an exact account must be kept into everything entering the production process. However difficult this may appear to be, in reality it is quite simple, because everything which has been used up and destroyed may be classified under two categories: *means of production* and *labour-power*.

Under capitalism reproduction is an individual function. Each single capitalist, the unit of capital, attends to their own reproduction needs. The capitalist takes account of the fixed means of production worn out and used up (machines, buildings), the consumption of circulating means of production (raw materials and auxiliary materials) and the labour-power directly expended. To these are then added supplementary expenditures, such as marketing costs, insurance, etc., and finally the capitalist goes to market with the finished commodities. Should the business be successful, a period of production is therefore successfully concluded. The capitalist now purchases new means of production and new labour-power and production can once again commence anew. Since all capitalists act in the same way, the result is that the entire system of production, together with the labour-power expended, are reproduced. The development of technique, and the increasing productivity of the production system resulting therefrom, compels the capitalists, through competition, to invest a part of their surplus-value in additional capital, in new means of production and in an enlarged productive apparatus. The result is the growth of an ever-mightier productive inventory, the "dead" as well as the "living" parts of the productive apparatus. Thus it is not only those means of production which have been used up and destroyed in the previous production period that are reproduced, but - to use the relevant capitalist terminology - *accumulation* takes place. The decision as to the scale on which this is to operate and in whose factories it is to be effected is a function of the individual capitalist or capitalist group, whose motives are bound up with the struggle for profit.

Under communism, accumulation is termed *reproduction on an extended scale*. Here, the market and the transformation of commodities (products) into money

are eliminated, but the stream of products remains:

"Within the co-operative commonwealth based on the social ownership of the means of production, the producers do not exchange their products; just as little of the labour embodied in the products appear here as the value of these products, as a material quality possessed by them, since now, in contrast to capitalist society, the individual labour no longer exists as an indirectly but as a directly constituent part of the total labour".<sup>[2]</sup>

"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 contribute anything except their labour and, on the other hand, nothing can pass into the possession of individuals except individual objects of consumption. But, so 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 labour in one form are exchanged for equal quantities of labour in another form".<sup>[3]</sup>

Thus the industrial establishments place their products at the disposal of society. Nevertheless, the latter must for its part supply the factories with new means of production, raw materials and labour-power, in the same quantities which originally entered into production. Indeed, if production on an extended scale is to be achieved, a greater quantity of means of production, etc., must be supplied to the factories. The competent decisions concerning this, however, no longer remain in the hands of private capitalist groups owning means of production, but society as a whole determines the degree to which production is to be enlarged, to the extent that this is required for the satisfaction of social and individual needs. If it is the case that new means of production must be supplied to each factory, in the same quantities as those which have been used up in production, then for reproduction to take place it is necessary and sufficient that each factory calculates how much social product it has used up in various forms (also in the form of labour certificates). These are then replaced in the same quantities, and a new labour period can begin.

If we should ask to what extent it is possible to determine the number of labour-hours used up in each industrial establishment, it is modern cost-accountancy which provides the decisive answer. For reasons that need not be elaborated upon here, capitalist methods of industrial accumulation were compelled, around 1921, to proceed with a thoroughgoing rationalisation, and it was in this way that there appeared, around 1922, an entire new literature concerned with the development of new methods for calculating the exact cost-price for each separate productive process and for each separate subsidiary labour function. This was made up of many factors, such as: quantities of means of production, raw materials and auxiliary materials used up, labour power, and the administrative costs of each separate partial productive process or special partial labour function: transport, social insurance, etc. They are, however, all related to one common denominator: *money*, and it is this which the industrial administrator sees as a hindrance standing in the way of exact accounting. But nothing stands in the way of converting them into another accounting unit. Also, the formula in its present form is often unstable in conditions of socialised production, because various factors which appear in the cost budget - for instance, interest on capital - would then be no longer relevant. The method itself, however, remains an enduring advance. In this respect also the new society is born within the womb of the old! Leichter writes in respect of modern cost-accountancy:

"Capitalist methods of accounting control can, if introduced into a factory consistently and free of snags, provide exact data revealing the value of any half-produced article, any piece of work still in process of manufacture, or pinpoint the costs of each separate labour operation. They can determine in which amongst many different workshops in a factory, in which amongst many different machines or many different units of labour-power a particular labour operation may be more economically carried out; that is to say, they can at any time be used to increase the highest degree of rationalisation achieved by the manufacturing process. To this must be added yet a further achievement of capitalist accounting methods: in every large factory there are a number of costs and expenses which make no tangible contribution to the exchangeable product." (Meant here are such things as the salaries of officials, heating costs of the workplace, etc. - the Authors) ... "It should equally be counted among the great achievements of

capitalist accounting methods that it has enabled these detailed costs to be included in the total works budget."<sup>[4]</sup>

## 2. THE FORMULA $(P + C) + L = \text{TOTAL PRODUCT (T. PRD)}$

For this reason it is perfectly possible to impress upon each product how many labour-hours its production has cost. There are, of course, certain installations which produce no tangible product, such as the social and economic councils, the health service, education and so on; but these also are just as well able to determine how many labour-hours in means of production and labour-power they have consumed, so that here also the costs of reproduction can be exactly revealed. Should we wish to make a concise definition of reproduction, then we would say: MEANS OF PRODUCTION AND LABOUR-POWER ARE THE DIRECTLY OPERATIVE FACTORS IN PRODUCTION. IN ASSOCIATION WITH NATURE, THERE ARISES OUT OF THEIR INTERACTION A MASS OF PRODUCTS IN THE USE-VALUE FORM OF MACHINES, BUILDINGS, FOODSTUFFS, RAW MATERIALS ETC. ON THE ONE SIDE, THIS MASS OF PRODUCTS MOVES FROM FACTORY TO FACTORY IN AN UNBROKEN STREAM; AND ON THE OTHER SIDE, IT IS USED UP IN THE INDIVIDUAL NEEDS OF THE CONSUMERS.

Each factory secures its reproduction through an exact accounting of means of production (= p) and labour (= L), expressed in labour-hours. The production formula for each factory is therefore expressed as follows:

$$p + L = \text{product}$$

As is well known the Marxist category "means of production" comprises machinery and buildings (fixed means of production), and also raw materials and auxiliary materials (circulating means of production). If now we use for fixed means of production the letter p and for the circulating means of production the letter c, then the formula takes on the following form:

$$(p + c) + L = \text{product}$$

If for the sake of clarity we now replace the letters by fictitious figures, then production in, for instance, a shoe factory would reveal the following schematic:

$$(p + c) + L = \text{product}$$

that is

$$(\text{machinery} + \text{raw material}) + \text{Labour} = 40000 \text{ pairs of shoes, that is, in labour-}$$

hours (L-Hrs)

$$(1250 \text{ L-Hrs} + 61250 \text{ L-Hrs}) + 62500 \text{ L-Hrs} = 125000 \text{ Labour-Hours.}$$

therefore to average:

$$\begin{aligned} &125000 \text{ Labour-Hours} \\ &\quad \textit{divided by} \\ &40000 \text{ pairs of shoes} \\ &\textit{equals } 3.125 \text{ Labour-Hours per pair of shoes.} \end{aligned}$$

In this formula for production, the factory simultaneously finds its formula for reproduction, which shows how many Labour-Hours representing social product must be restored to it in order to renew everything that has been used up.

That which applies for each separate industrial establishment also holds good for the whole communist economy. In this sense, the latter is only the sum of all the economic installations active at any given moment in the economy. The same is also valid for the total social product. It is nothing other than the product  $(p + c) + L$  for the total of all economic establishments. In order to distinguish this from the sphere of production accounting control for the separate industrial establishments, we use for the total product the formula:

$$(P + C) + L = \text{Total Product}$$

If we assume the sum of all used up machinery -  $(P)$  - in all the industrial installations = 100,000,000 Labour-Hours and that for raw materials -  $(C)$  = 600,000,000 Labour-Hours; and if also 600,000,000 Labour-Hours of living

labour-power - ( L ) - were consumed, then the schematic for total social production would appear as follows:

$$( P + C ) + L = \text{Total Product}$$
$$( 100 \text{ million} + 600 \text{ million} ) + 600 \text{ million} = 1300 \text{ million Labour- Hours}$$

All industrial installations taken together thus take out of the total social stock 700,000,000 Labour-Hours of product in order to reproduce the physical part of the productive apparatus, whilst the workers consume 600,000,000 Labour-Hours of the final social product. In this way the reproduction of all the production elements is assured.

Let us now consider the reproduction of labour-power in particular. In our example 600,000,000 Labour-Hours are available for individual consumption. More than this cannot and must not be consumed, because in the industrial establishments only 600,000,000 Labour-Hours in the form of labour certificates has been accounted for. This however bears no relation to how that product is to be distributed amongst the workers. It is, for instance, quite possible that unskilled, skilled and intellectual labour will all be remunerated differently. Distribution could, for instance, be carried out on such a basis that the unskilled receive three-quarters of an hour pro rata for each one hour performed, the skilled exactly one hour and the officials and fore-persons three hours.

### 3. THE CONCEPT OF VALUE HELD BY THE SOCIALIST ECONOMISTS

And indeed, their Excellencies the economists do in fact, consider that distribution should be arranged in this way! It never even occurs to them to place an equal value on labour, that is to say, to apportion to each the same share of the social product. This, of course, is the significance of Neurath's "varying standards of living". The social statisticians determine the minimum standard necessary, to which the income of the "unskilled" workers is then made to correspond, whilst others receive a more generous remuneration according to

their industriousness, their capabilities and the importance of their labour. A purely capitalist mode of thought!

Kautsky considers this difference in remuneration to be necessary, because he believes that higher wages should be paid for unpleasant or onerous forms of labour as compared with the more pleasant and lighter tasks. He remarks in passing that, for him, this provides evidence to prove that labour-time accounting is impracticable. In this, indeed, he agrees with Leichter, going so far as to suggest that differences in remuneration should be retained even within each occupation, because, in his view, it would be inevitable that the actual wage paid out to individuals would in certain cases rise above the basic rate in order to take account of the additional training needed by the skilled workers, etc. Those who think like him take, for instance, the view that wage tariffs should be retained in the communist economy. As against this, Leichter notes quite correctly that this does not hinder in any way the introduction of Labour-Hour accounting, a fact which we can also see from our example. He says:

"There exists the purely technical difficulty, which exists also under capitalism, that the wages to be paid for each separate labour function must be separately determined, but this offers no special complications as compared with the method used under capitalism".<sup>[5]</sup>

Here we see that Leichter considers a differing scale of evaluation of labour, the application of differing rates, indeed variations within the same type of labour, to be in principle correct. This, however, expresses nothing other than the fact that in such a society *the struggle for improved conditions of labour has not ceased*, that distribution of the social product still bears an antagonistic character and that the struggle for the distribution of the product still continues. This struggle is in reality nothing other than *a struggle for power* and would have to be conducted as such.

No clearer evidence could be offered than that given above to prove that these 'socialists' are inherently incapable of conceiving of any form of society other than the one in which forms of rule and domination are exercised over millions of workers. For them, human beings have become simply subjects. They are nothing more than parts of the productive apparatus, for whom it is necessary

that the social statisticians calculate how much food and other necessities must be supplied to this human material (minimum subsistence standard of living) in order to ensure that labour-power is able to renew itself. The working class must struggle against such a viewpoint with all its strength and demand *for all the same* share in the riches of society.

Nevertheless, in the first stages of a communist society, it may at first be necessary that various intellectual occupations be remunerated at a higher level; that, for instance, 40 hours of labour gives the right to 80 or 120 hours of product. We have already seen that this represents no difficulty for the method of labour-time accounting. At the beginning of the communist form of society this could indeed be a just measure, if for instance the means of higher education were not available to everyone free of charge, because society is not yet sufficiently thoroughly organised on the new basis. As soon, however, as these matters have been ordered, then there can no longer be any question of giving the intellectual professions a larger share in the social product.

The basic cause underlying the fact that the 'socialist' economists are unable to free themselves from the concept of a varying evaluation of labour-power lies, amongst other things, in the class situation which they find themselves. An equal distribution of the total product totally contradicts their class sense and is for that reason "impossible". That conscious thought-concepts derive in the main from the world of feeling or sensibility is, however, if not exactly an ancient, then at least a correct principle, and for these people as for others the intellect does not in general contradict what the world of feeling dictates. It is this which explains, for instance, how it comes about that Leichter may wish to eliminate the concept of value as it applies to impersonal reproduction, but is unable to free himself from it where the remuneration of labour-power is concerned. In capitalist society labour-power appears as a commodity. The average wage paid by the employer corresponds to the cost of reproducing labour-power which, in the case of unskilled labour, lie more or less at the level of the minimum necessary for existence. The children of unskilled workers are as a general rule unable to learn a profession, because it is necessary for them to commence earning as much as possible as early as possible.<sup>[6]</sup> This establishes a situation in which unskilled labour reproduces itself only as more unskilled labour-power. For the reproduction of skilled labour-power more is necessary. In this latter case

the children are trained for a profession, and this means that the skilled workers have themselves reproduced skilled labour-power. According to Leichter this commodity relationship for labour-power applies under "socialism". He writes:

"Thus labour reveals various qualifications, various intensities of labour. The various qualitatively differing labour-powers require for their reproduction a differing level of investment. Qualified workers require more in order to reproduce their labour-power from day to day or year to year, that is to say, their current expenditures are larger. A greater investment is in general required to train and promote qualified labour up to its completion, up to a standard of a human being with the same replacement level of education and knowledge, if the person formerly bearing the responsibility for this developing labour-power is no longer capable of work. All this must be taken into account in evaluating the values to be attributed to the various labour-powers."<sup>[z]</sup>

If we now compare this with Marx's analysis of the price of labour-power under capitalism, it then becomes completely crystal clear that the so-called 'socialist' economists are unable to free themselves from the value concept:

*"What, then, is the cost of production of labour-power?"*

*It is a cost required for maintaining the worker as a worker and of developing him into a worker."*

The less the period of training, therefore, that any work requires, the smaller is the cost of production of the worker, and lower is the price of the worker's labour i.e., the wages. In those branches of industry in which hardly any period of apprenticeship is required and where the mere bodily existence of the worker suffices, the cost necessary for the worker's production is almost confined to the commodities necessary for keeping the worker alive and capable of working. The *price of the worker's labour* will, therefore, be determined by the *price of the necessary means of subsistence*.

... In the same way, in calculating the cost of production of simple labour-power, there must be included the cost of reproduction, whereby the race of workers is

enabled to multiply and to replace worn out workers with new ones. Thus the depreciation of the worker is taken into account in the same way as the depreciation of the machine:

"The cost of production of simple labour-power, therefore, amounts to the *cost of existence and reproduction of the worker*. The price of this cost of existence and reproduction constitutes wages. Wages so determined are called the *wage minimum*."<sup>[8]</sup>

In exactly the same way as the reproduction of the impersonal part of the productive apparatus is, under capitalism, a function of the individual capitalist group, in a similar way the reproduction of labour-power under that system is an individual function of the worker. Under communism, however, in the same way as the reproduction of the impersonal part of the reproductive apparatus becomes a social function, the reproduction of labour-power becomes a social function likewise. It is no longer made the responsibility of separate individuals, but is borne by the whole of society. Educational attainment, for instance, is no longer dependent on papa's purse, but is dependent solely upon the talents, the mental and physical characteristics, of the child. It would occur to nobody under communism that individuals who by nature have already been equipped with more favourable inherited characteristics or more advantageous inherent capacities, and who for that reason are able to absorb to the fullest degree all the achievements of human society in the fields of culture, art and science, should be additionally awarded a greater share in the social product. Society offers them the possibility of realising achievements above the ordinary in art and scientific knowledge, but only in order that they may return to society, in the form of a more talented and more intense cooperation in all cultural tasks, those values which were originally taken out of society in the form of cultural products. The distribution of the social product under communism is not a simple reproduction of labour-power, but a distribution of all physical and spiritual riches which have been created by society through all its technical and other resources. The aim which 'socialists' of the stamp of Kautsky, Leichter and Neurath are actually seeking to achieve with their principle of "remuneration according to differing living standards" is in reality that of securing for the lower-paid workers the minimum standard of living necessary for existence on the basis of nutritional and other domestic and family assessments, whilst the more highly

paid consume the surplus. Their thought is in reality far removed from any idea of the elimination of exploitation. Indeed, they wish to continue exploitation, only this time on the basis of the common ownership of the means of production!

For us the reproduction of labour power can only mean that the social product is equally distributed. In calculating production time, the number of labour-hours expended are entered in their actual quantity, whilst each worker draws out from the social product the actual number of labour-hours the worker has expended.

In that kind of 'socialism' which reflects and is based upon "minimum standard of living" statistics, the producers give up their labour-power to a great undefined authority which is euphemistically called "society". However, wherever this undefined authority actually takes on a tangible form, it appears as an alien force over and against the producers, a force which has elevated itself above them, and exploits them and rules over them. It is in reality domination by and through the apparatus of production, an apparatus which is now a state system in which producers play a role as faceless elements.

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## REFERENCES:

[1] K. Marx: *Capital, Vol. I*; Penguin Books, p. 711.

[2] K. Marx: *Critique of the Gotha Programme* quoted in *Elementary Textbooks of Communism*, Vol. 12, p. 16.

[3] K. Marx: *ibid.*, p. 16.

[4] O. Leichter *Die Wirtschaftsrechnung in der sozialistischen Gesellschaft*, pp. 22-23.

[5] O. Leichter: *ibid.*, p. 76.

[6] "The children of unskilled workers are as a general rule unable to learn a profession, because it is necessary for them to continue earning as much as possible as early as possible".

Whilst still fundamentally true for the majority of the worlds population, the mode of operation of this particular form of the antagonism between capital and labour has been modified, (in the 'industrialised' countries), to some degree in recent decades, and in particular since the end of World War II, through the introduction of compulsory secondary education and the university grant system. In spite of these reforms, however, the children of the upper and middle classes still dominate the universities and other institutions of higher education.

[7] O. Leichter: *ibid*, p. 61.

[8] K. Marx: *Wage Labour and Capital*, Foreign Languages Publishing House, Moscow; pp. 45 - 6.

## Chapter 4

# AVERAGE SOCIAL PRODUCTION TIME AS THE BASIS OF PRODUCTION

### I. KAUTSKY'S DEFINITION

Leichter's text has served a particularly useful purpose in that it has been instrumental in carrying out an examination which demonstrates that the average social Labour-Hour can under communism be thoroughly and consistently implemented as a unit of social regulation and accounting control, even in cases in which the labour-hours actually expended are not taken as the basis for distribution. At least in respect of the question of the unit of social regulation and accounting control to be adopted, he shows himself to be far in advance of his colleagues, the 'Marxist' economic experts, Neurath and Kautsky. In his book *La Theorie Marxiste de le Monnaie*,<sup>[1]</sup> Block, as a bourgeois economist, characterises the attempt to abolish money under communism as naive, and comes to the conclusion that a more thorough examination of the theory of social regulation and accounting control according to labour-time expended would be superfluous (page 215). Kautsky, on the other hand, considers labour-time accounting control as possible in theory, but impossible to implement in practice, since money cannot be dispensed with "as a measure of value in maintaining accounting control of exchange relationships in a socialist society", whilst simultaneously it must "continue to function as a means of circulation".<sup>[2]</sup> Kautsky, who up till now has presented the capitalist conception of value as "an historical category" (that is to say, one which must disappear along with capitalism),<sup>[3]</sup> has been thrown into such a state of confusion through Weber's bourgeois criticism and the practice of the Russian revolution that he now swings to the opinion that the value concept must be enshrined for all eternity!

The effect wrought upon Kautsky by the criticism of communism, particularly that it necessitates the introduction of a unit of regulation and accounting control, was that of luring him out of his theoretical hiding-place; it was now impossible for him to remain attached to the old general formula which states that 'value' disappears along with capitalism, and was now compelled to seek the truth as he saw it. In actual truth, a unit of regulation and accounting control did show itself to be necessary. And if Marx had maintained that, in the case of a communist economy, "it is at first money capital which is eliminated", then it becomes necessary to subject to a closer examination the concept of the unit of accounting control, which Engels in *Anti-Dühring* and Marx in *Capital* and the *Marginal Notes* (*Critique of the Gotha Programme*) had shown to be the average social hour of labour. We now know to what result his researches led, and it will now prove worth our while to unravel the source from which Kautsky's idea that a system of regulation and accounting control is a practical impossibility actually derives.

We have already indicated that the conception of the development towards communism which was then widely current was that capitalism would dig its own grave by virtue of its inherent tendency towards concentration. Hilferding examined the consequences of a total concentration of economic establishments on the basis of the assumption that the entire economy would be organised in one single giant trust, a general cartel. Within this imaginary cartel there is no market, no money and no prices. The economy without money would have been realised.

Within this trust, production would have become a closed system. In the course of their transformation from natural materials to the finished product, the products move through the most varied industrial installations. For instance, coal and iron ore make their way to the smelting ovens, (and as their product), iron and steel move to the engineering works, this then provides machinery to the textile factories, where finally the textile commodities appear as the end product. In the course of their movement from one economic installation to another, thousands and tens of thousands of workers from all possible branches of industry have played their role in fashioning the products, in order finally to create the end product. *Exactly how much labour does this final product contain?* It is thus that Kautsky's famous puzzle is formulated and, in the face of such a

super-human task, he sadly buries his head in his hands. Yes, in theory there must be a solution to the problem. But, in practice? No, it is impossible "to calculate for each product the total amount of labour which represents its costs, from its first beginnings right up to the final finishing operations."<sup>[4]</sup> "An evaluation of commodities according to the labour (sic) contained in them is, even assuming the most colossal and technically perfect statistical apparatus", quite impossible (K. Kautsky: *ibid.*, page 321).<sup>[5]</sup>

Yes, indeed, Kautsky is completely justified in saying that by *this* method a computation of labour-time expended in the production of commodities is quite impossible!

## 2. LEICHTER'S DEFINITION

However, such a mode of production exists only in Kautsky's fantasy or in that of the 'natural economists', who would like to see the economy managed by a central authority. In addition, they conceive the monstrous idea that each separate factory, the parts of the whole, would not have responsibility for maintaining exact accounting control over the process of production in their factory! The parts of the trust, however, produce as if they were to some extent independent, for the simple reason that otherwise planned production would prove impossible. Indeed, even in the interests of securing rational operation, this is now more than obligatory. It is for this reason that as exact a method of accounting on the basis of a unit of social regulation and accounting control as can be achieved is an absolute necessity for moneyless exchange within a single trust:

"There exist relations between the separate production installations, and these relations will remain for so long as the division of labour exists, and the division of labour in this higher sense will continue to develop further with the progress made in the development of technique."<sup>[6]</sup>

"All impersonal prerequisites for production, all half-finished materials, all raw materials and auxiliary materials delivered by other productive establishments to those destined to work them up further, will indeed be placed to their account, i.e., will be factorised."<sup>[7]</sup>

"The cartel magnates or - in a socialist economy - the managers of the entire economy, will not permit the various industrial establishments responsible for the same production programme to produce according to different methods and different costs. Under capitalism, this in many cases also forms an incentive for the weaker concerns to permit themselves to be "swallowed" willy-nilly by some giant agglomerate, in the hope that now for their factory also the form of organisation recognised to be the most efficient - the best manufacturing methods, the most diligent officials - will be drawn into the task of raising the productivity of the factory. For this to be a success, it will however be necessary to show under separate headings the results of all other factories and productive installations, and also to manage matters - whether in a capitalist or in a socialist economy is irrelevant - as if each factory had its own independent proprietor who wished to have at his disposal exact data concerning the economic results of production in his establishment. For this reason extremely strict accounting control is maintained within the cartel, and any idea that within the cartel commodities may be embezzled without further account being taken - in short, that within the separate industrial installations the keeping of a clear account as to the distinction between 'mine' and 'thine' will not prevail - belongs in fact to the world of popular misconceptions concerning capitalism, as indeed of socialism also."<sup>[8]</sup>

Seen from this point of view, the alleged impossibility of calculating the amount of labour which lies embedded in a particular product appears in a different light. To determine that which Kautsky, from his central economic headquarters, cannot determine, namely, how much realised labour-time a product has absorbed during its long journey from one partial operation to another in the course of the production process - *that task, the producers themselves can now be seen to be fully capable of performing*. The secret lies in the fact that each factory, managed and administered by its "factory organisation", functions as an independent unit, exactly as in capitalism:

"At a first glance, one would assume that each separate productive establishment were more or less independent, but upon making a closer examination one would see quite clearly the umbilical cord joining the individual factory to the rest of the economy and to its administration."<sup>[9]</sup>

In the chain of partial processes, each factory has its final product, which can then be introduced into other factories as means of production. And, furthermore, each individual factory is perfectly capable of calculating the average labour-time used up in producing its products by application of its production formula  $(p + c) + L$ . In the example of the shoe factory mentioned above, 3.125 Labour-Hours were found to be the "unit cost" of a pair of shoes. The result of such a unit calculation for an individual factory is a factory average, which expresses how many Labour-Hours are contained in a pair of shoes, a tonne of coal or a cubic metre of gas, etc.

### 3. SOME COMPARATIVE EVALUATIONS

Thus the production factors are seen to be fully accurate (with the exception of possible false estimations in the early period of communism). The final product of a factory, assuming it is not a consumption article, moves on to the next factory, where it serves as means of production (  $p$  or  $c$  ). This establishment, of course, likewise controls its production by means of applying the same unit of regulation and accounting control. In this way each factory obtains a completely accurate method of accounting control over its final product. The fact that this procedure is valid for not only industrial installations which produce a mass product, but is also applicable to the most varied products of a complex productive organism, soon becomes generally excepted, especially since this particular branch of the "science of cost accounting" is already so highly developed. The labour-time taken up by the last finished product is in reality nothing other than the average labour-time contributed by the last factory in the chain which, by application of the standard formula  $( p + c ) + L$ , simultaneously takes up and includes in its computation the total sum of all the separate labour-times attributable to each participating establishment, from the

beginning of the production chain to the finished product. The computation of this final total is built up out of all the partial processes and lies fully in the hands of the producers.

Kautsky indeed recognises very well the necessity for calculating the average social labour-time of the products, but he conceives of no possibility of realising this conception completely and in practice. No wonder that he is unable to make the slightest sense out of any of the various problems associated with this category! For instance, he already runs aground when he tries to consider the question of variations in productivity between individual factories, and, of course, the problem of the determination of the 'price' for each product. Although it may seem superfluous for us to concern ourselves further with these objections - since we have already uncovered Kautsky's principal errors - we may nevertheless find it expedient to follow his views further, since this may assist us in achieving by negative example a more concrete formulation of the category of average social labour-time.

Let us begin with the concept of 'prices' of products. The point must be made at the outset that Kautsky speaks quite unreservedly about the 'prices' of products as if these still have validity under communism. He is of course entitled to keep faith with his own terminology since, as we have seen, 'prices' continue to function in the Kautskyian brand of 'communism'. In the same way as, for this 'Marxist', the category of value is attributed with everlasting life and just as, under his 'communism' money also continues to function, in the same way prices also are assured an eternal life. But what kind of communism is it in which the same economic categories continue to have validity as exist under capitalism? Marx and Engels at least refused to have anything to do with this brand of 'communist' economy. We have already shown how, according to them, value and price are eliminated and subsumed in the category of *average social labour-time*. It is for this reason that the producers calculate "how much labour each useful article requires for its production". (F. Engels: *Anti-Dühring*). Kautsky pronounces this calculation to be impossible. In order to give substance to this judgement, he directs our attention to the fact that not all factories would be equally productive, with the labour-time actually expended being in one case, above, in another, below the social average - so leading to chaos in prices. He says in this connection:

"And what quantity of labour should one actually take into account? Certainly not that which each product has actually cost. If this be done, the various articles of the same kind from different establishments would throw up differing prices, those produced under less favourable conditions being higher than those of others. That would of course be absurd. It would be necessary for them all to have the same price, and this would be calculated not according to the labour actually expended, but on the basis of the average social labour. (Sic - trans.) Would it in fact prove possible to determine this for each separate product?"<sup>[10]</sup>

Here Kautsky demands with justice that the "prices" of products must agree with the socially necessary labour and not with the labour<sup>[11]</sup> which has actually been expended upon that product in that particular factory, since, (not all factories being equally productive), the labour-time actually expended will in one case lie above and in another case below the social average for that industrial group. The solution to the problem resides, of course, in a procedure in which the producers themselves, by means of their own factory organisations, calculate the average social labour-time, and *not* Kautsky. That which his economic headquarters is not capable of achieving, *the factory organisations themselves, the Workers' Councils, are perfectly capable of realising, in this way simultaneously imparting to the category of average social labour-time its concrete form.*

#### 4. THE MODE OF OPERATION OF THE FORMULA $(P + C) + L$

The fact that the individual productive establishments have determined the average labour-time necessary for their product does not mean that the Marxist concept of a social average has been attained. To achieve this, all productive establishments operating in the same sector of production must enter into cooperation with one another. In our example, for instance, all shoe factories must determine the total average out of all the various individual factory averages. Where one factory arrives at an average of 3 hours per pair of shoes, another at 3.25 hours and yet another at 3.5, then the average labour-time would

lie at 3.25. (This is, of course, only an approximation; for the accurate formulation, see Chapter 9 of this work).

Thus we can see that the need to calculate the average social labour-time is already leading to a horizontal coordination of productive establishments. This however is not being carried out by a bureaucratic apparatus controlled by the state, but grows out of the factories themselves from below. The whys and wherefores of the system are completely clear and understandable for every worker, whilst at the same time the necessity for open book-keeping brings everything under public control.

The fact that the individual productive establishments arrive at a differing average is an expression of their differing productivity's, which would have its cause in, in the one case a more efficient, in the other a less efficient operation of either the objective means of production or of the living labour making up the production system of each separate factory. In the meantime, our "shoe cartel" calculates for all footwear factories in combination 3.25 hours as their average labour-time, which then becomes the cipher against which shoes enter into individual consumption. A factory which is unproductive, that is to say which operates below the average level of productivity and which therefore, in spite of its best efforts, cannot produce a pair of shoes in less than, say, 3.5 hours, must of necessity operate at a loss. It is unable to reproduce at the socially adequate average rate its  $(p + c) + L$  for the next production period. As against this, there will be other factories which are overproductive, which operate over the average level of productivity. Taking once again our example, these can produce a pair of shoes in 3 hours. As their product enters into general social consumption, they are able to reproduce their  $(p + c) + L$  and show additionally a plus increment. Since the social average has been calculated from the averages of all the individual productive establishments, the losses and the surpluses within a cartel must cancel each other out.

What we see here, therefore, is a system of regulation within the production group, and indeed one which has been brought into operation by the productive establishments themselves. It is not a mode of regulation which depends upon "mutual aid" but, on the contrary, is an exact method of calculation. The productivity of a particular productive establishment can be determined

accurately, and by this act the limits are exactly fixed within which the losses and surpluses must lie. Productivity thus becomes an exact factor and can be expressed in a single cipher, the *Productivity Factor*. This factor defines accurately just how large or small the plus or minus figures of a given productive establishment will be.

Although it is not possible to provide a general formula on the basis of which computations within a particular 'cartel' must proceed, since this will necessarily vary with the type and size of the productive establishments comprising of it, we are nevertheless concerned here with an exact quantity. Productivity is determined not only by the quantity of the manufactured product, but is also determined by the relation between the quantity of product produced and the degree to which  $(p + c) + L$  has been used up in its production. In cases in which a particular productive establishment is under-productive, this means that its  $(p + c) + L$  has been assessed at too high a value in relation to the quantity of product produced. Put the other way round,  $(p + c) + L$  has too low an intrinsic or actual value, and the degree to which that value lies below the average is measured by the extent of the deviation from the social average. In our example, our shoe factory computes a factory average of  $3\frac{1}{2}$  hours for a pair of shoes, whilst the social average lies at  $3\frac{1}{4}$  hours. In this case, the actual productivity realised stands in inverse relation to the required level, which means that the level of productivity of this particular factory lies in a ratio of  $3\frac{1}{4}$  to  $3\frac{1}{2}$  equivalent to 13:14. The factory calculation must therefore always make itself correspond with the social average by application of the formula  $\frac{13}{14}$ ths of  $(p + c) + L$ , and it is this which must always be applied when calculating its production time for so long as its production remains at that level. Thus the increment which the "cartel" always restores is  $\frac{1}{14}$ th of  $(p + c) + L$ .

It should be understood, of course, that all this is only by way of example. Since the entire production accounting control stands on the firm ground of labour-time computation, many roads can lead to the same end. What is of fundamental significance is that administration and management always remain in the hands of the producers themselves, whilst each industrial establishment retains full control over its means of reproduction.

Thus the distinction between average social labour-time and the individual factory or works average does actually exist, but is equalised and eliminated through the "production cartel" or "guild", or whatever term one may wish to apply to the grouped industrial establishments of a particular industrial sector in combination. The elimination of this distinction also destroys another argument used by Kautsky against the method of labour-time regulation and accounting control. Following immediately upon his above-mentioned statements of view, he continues:

"Would it in fact prove possible to determine this (the socially necessary labour-time - the Authors) for each separate product?" (K. Kautsky: *ibid.*, p. 319)

"We would in such a case obtain a double answer. The remuneration of the workers would need to take place on the basis of the labour-time actually expended. The prices of the products, on the other hand, would need to reflect the socially necessary labour<sup>[12]</sup> required for their production. The total of the labour-hours socially expended would need to be the same from one computation to the next. But that would almost never be the case." (K. Kautsky: *ibid.*, p. 319)

Would it be possible to determine the average social labour-time for each product, asks Kautsky? Our unhesitating reply is: Yes! - since each industrial establishment and each sector of production is fully able to apply the production formula  $(p + c) + L$ . Kautsky is unable to make anything of this, because he lacks any tangible or concrete conception of the term average social labour-time, and this again has its basic cause in the fact that he perceives all problems purely from the point of view of the central administration. The average social labour-time is calculated from the combined productivities of all the member industrial establishments. From this it is possible to see at a glance to what extent each has deviated from the social norm of productivity. In other words, its Productivity Factor is established. Even though the individual industrial units may deviate from the social average in their individual factory accounting, these deviations are exactly known and their aggregate total is equal to nil. Throughout the production group, as a whole, production takes place according to the formula  $(P + C) + L$ , which is equivalent to the average social labour-time.

According to Kautsky, however, even the development of technique becomes a hindrance standing in the way of regulation and accounting control on the basis of labour-time. After having declared it to be an impossibility "to calculate for each product the amount of labour which it has cost from its first beginnings right through to the final finishing processes", he proceeds further: "And should one ever complete the task, one would have to begin all over again, since in the meantime the level of technology would have changed in many sectors".

Now isn't that a shame! After Kautsky, looking down from his command post on high, where all the various lines of production come together, has exactly observed all the various partial processes, he finally completes a mammoth calculation which really does reveal exactly how much labour-time is contained in the final social product. At last that's done, thank goodness! And then along comes this devil called technology and throws all his endless calculations into confusion! What a nonsensical conception of production some people have! Production in the real world is such that industrial establishment has an end product which already bears within it the measure of labour-time. When an advance takes place of technology, or its productivity increases for any other reason, the average social labour-time required for this partial process falls. Should the product in question happen to be a final product destined for individual consumption, then it moves into the sphere of consumption with a reduced average, and therewith the matter is concluded. However, should it move on into the sphere of other industrial establishments and enter into their production budgets as means of production, then for the relevant factory the rate of which  $(p + c)$  is used up falls, that is to say, the costs to this factory are reduced, and as a consequence the average social labour-time embodied in its product also falls. The variations which are caused thereby within the production group ("cartel") are compensated by revising the Productivity Factor.

The Kautskyian objections to the method of labour-time computation all have their basis in the fact that he can conceive of no possible way in which the concept of average social labour-time can be given a concrete form. This concrete form it receives, however, only when management and administration of production lie in the hands of the producers themselves and are implemented through *the Association of Free and Equal Producers*.

*It was out of the very practice of the revolutionary class struggle itself, which created the system of Workers' Councils as its instrument, that simultaneously the concept of average social labour-time as a concrete formulation was born.*

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## REFERENCES:

[I] *The Marxist Theory of Money.*

[2] K. Kautsky: *Die proletarische Revolution und ihr Programm*, page 318.

[3] K. Kautsky: *Karl Marx' Oekonomische Lehren*, page 21.

[4] K. Kautsky: *Die proletarische Revolution und ihr Programm*, page 318.

[5] K. Kautsky: *Die proletarische Revolution und ihr Programm*, page 321.

The same observations apply here in respect of modern computer technology as were made above.

[6] O Leichter: *Die Wirtschaftsrechnung in der sozialistischen Gesellschaft*, page 54.

[7] O Leichter: *Die Wirtschaftsrechnung in der sozialistischen Gesellschaft*, page 68.

[8] O Leichter: *Die Wirtschaftsrechnung in der sozialistischen Gesellschaft*, page 52 - 53.

[9] O Leichter: *Die Wirtschaftsrechnung in der sozialistischen Gesellschaft*, page 100.

[10] K. Kautsky: *Die proletarische Revolution und ihr Programm*, page 319.

[II] "... and not with the labour...".

Kautsky's intended meaning here, of course, is not labour, but labour-power. The shades of Smith and Ricardo live on! - but see also Note 1 of chapter 12.

[12]. Quotation from K. Kautsky: *Die proletarische Revolution und ihr Programm*, page 319: "The prices of the products, on the other hand, would need to reflect the socially necessary labour...".

Kautsky is caught here in the confusion of concepts as between "socially necessary labour" and "average social[ly necessary] labour-time". Refer to Note 1 of Chapter 12.

## Chapter 5

# AVERAGE SOCIAL PRODUCTION TIME AS THE BASIS FOR DISTRIBUTION

### I. THE DISTRIBUTION OF THE PRODUCT ACCORDING TO LEICHTER

Even though it may have been Leichter's achievement to have tackled for the first time and in a serious way the question of social regulation and accounting control on the basis of average social labour-time, he nevertheless fails to bring the various problems to a satisfactory conclusion. The main reason for this is that his approach to the question of the distribution of the social product remains wholly within the sphere of influence of capitalist modes of thought. It is self-evident that an antagonistic mode of distribution of the product has as its essential precondition a system of domination over the producers, and this in its turn provides the basis for Leichter's concept of a central organ of administration and management. Thus it is possible to characterise Leichter's attempts in this field as being based upon the conception that the foundations of communism do indeed rest upon a system of production which is controlled by average social labour-time, but one in which this is also administered from above. If indeed we have already demonstrated Leichter's belief that exploitation can in no way be avoided, in the same way we will now go on to prove the necessary corollary of this, namely, that the producer must of necessity lose every right of disposal over the system of production. *And all this arises simply because he is unable to accept the average social hour of labour as the unit measure regulating distribution as well as production.*

In a society characterised by specialisation of labour, the producers must receive a permit authorising the consumption of goods socially produced but destined for individual consumption. In this respect these authorisations fulfil the same function as money under capitalism. Intrinsically, however, this is simply worthless material; it may be paper, aluminium or any other stuff.<sup>[1]</sup> The worker receives in the form of these permits just so much as corresponds with the actual labour-hours expended. In common parlance, these permits are called "labour money", although it does not constitute money in the capitalist sense. Without for the moment involving ourselves in complex theoretical observations, we may state that this "labour money" corresponds fully with marxist concepts:

"On this point I will only say further that Owen's 'labour-money', for instance, is no more 'money' than a theatre ticket is. Owen presupposes directly socialised labour, a form of production diametrically opposed to the production of commodities. The certificate of labour is merely evidence of the part taken by the individual in the common labour, and of his claim to a certain portion of the common product which has been set aside for consumption."<sup>[2]</sup>

Leichter in his observations also proposes this "labour-money" as the basis for distribution. He writes:

"In reality the social plan proposed by Bourguin, as also that presented here, are both based on the concept of a distribution of goods in kind relative to the labour expended by each individual. Labour money is only a particular form for determining the share in the national product selected for specifically economic reasons."<sup>[3]</sup>

Although these observations of Leichter's appear to be quite faultless, there lurks nevertheless a poisonous adder in the grass, and this becomes apparent when he writes about "distribution in relation to the labour performed by each individual". Production is indeed organised on the basis of the average social hour of labour, but according to him distribution proceeds on the basis of quite different principles. In reality the producers shall have allocated to them products in exchange for their labour-power on the basis of norms which have absolutely nothing to do with any system of labour-time accounting. On the

contrary, it is the social statistician and the subsistence physiologist who should determine the quantity and quality of life necessities which the human individual needs for the maintenance of life, and it is they who "fix a definite number of labour-hours which correspond approximately to the minimum necessary for existence" (page 64). It is by this means that the "standard scientifically estimated and balanced ration of life necessities" (page 64) is determined. This minimum ration, reflecting a physiological subsistence norm, then becomes the basis for payment. What possible connection is there between this and the system of labour-time accounting in production?<sup>[4]</sup>

The answer, of course, is that this minimum is intended for unskilled workers, whereas the "wage" of the "trained" and "skilled" workers is fixed at a somewhat higher rate by means of negotiated agreements. These collective agreements determine the basic wage, whilst "the socialist factory manager ... fixes the payment received by the separate workers" (page 64), according to their various capabilities.

It is clear that the producers can never feel that their factory is a part of their very selves when such contradictions exist between them. For that reason they can never bear the responsibility for the production process, something which Leichter knows full well. For this reason, in his conception it is not the producers themselves who exercise responsibility, not the works organisation as a productive whole, but it is *the director*. Leichter writes: "The director of the factory, however appointed, bears the sole responsibility for it; he can be summarily dismissed, just like a capitalist factory manager who fails to live up to the demands placed upon him. Should he then be unemployed, he receives the minimum income guaranteed by society, or else he is employed in an appropriately inferior, and for that reason lower paid, position. In this way it is possible to maintain standards of 'individual initiative' and a sense of responsibility - qualities which also affect personal self-interest - amongst the capitalist factory managers and directors, and so to place them at the disposal of the socialist economy" (page 101). All that is quite explicit. Leichter's conception is that the threat of relegation to a subsistence minimum based upon physiological or "minimum living standard" norms should hang over the heads of the producers like the sword of Damocles.

*Thus we see that in this case also the organisational structure of production is determined by the foundations on which distribution stands.* The workers have come into irreconcilable contradiction with the factory administration, and all this has happened because the workers have failed to ensure that their relation to the social product is determined by the labour which they contribute.

Let us now turn our attention to the prices of products as Leichter conceives them. Although we would have expected that in this case at least the social average production time would have been valid as the determinative basis for the prices of products, we find that in fact this is by no means the case. In this matter Leichter is extremely vague, but nevertheless it is clearly apparent that the products make their way into social exchange *with a higher price attached to them*. He speaks, for instance, of a profit increment, but shows that it is his intention that this should accrue, not to the factory, but to the general social fund - the equivalent in Leichter's scheme to a capitalist "treasury" or "exchequer". It is from this profit increment that the general fund makes available the means for the enlargement of the productive base of the industrial establishments. This fund therefore reveals itself to be *an accumulation fund*. We will return shortly to the question of this accumulation fund, but would first like to make it clear that, with Leichter also, production time finds no expression in the "price" of products. The truth then emerges - namely, that the "central management and administration of the productive system" in fact fixes the prices. In short, they conduct a *price policy*, in order amongst other things to obtain the means for accumulation. The central administration, which exercises the right of disposal over the product, thus has the power in its hands to exploit the producers as they see fit. Because of the lack of an exact relationship of the producer to the product, because of a presence of a "price policy", capitalist-type wage relations remain in force.

As is well known, marxist political economy defines three categories of wages in capitalist production: 1. the nominal wage; 2. the real or actual wage; 3. the relative wage.

The *NOMINAL WAGE* is the *money price* of labour-power. Under that type of communism based upon the statistically derived physiological or "minimum living standard" subsistence minimum, this is to be understood as the equivalent

number of labour-hours which the worker receives as payment for the actual number of labour-hours, for instance 40, worked.

The *REAL OR ACTUAL WAGE* is equivalent to the quantity of products which can be realised in exchange for the nominal wage. Although the nominal wage may remain constant, the actual wage will be higher if the prices of products fall whilst it will fall if those prices rise. With Leichter, the central administration pursues a "price policy" which as a matter of course is assumed to be in the interests of the producers. But this does not in any way alter the fact that it is that authority which in reality determines the actual wage, in spite of any and all "collective agreements" reached, since these relate only to the nominal wage. Over all this the producer has no power whatsoever, because the right of control over the price policy is reserved for the gentlemen of the "Statistical Bureau".

The *RELATIVE WAGE* is defined by the relationship of the real wage to the gross capitalist profit. Thus it is possible that the real wage remains constant whilst the relative wage falls on account of a rise in the gross mass of profits realised. Here Leichter places the main emphasis upon the "rationalisation" of industrial establishments. This has its source in the striving after higher productivity, the creation of a continuously increasing surplus product with the same labour-power - in other words, the average social labour-time necessary for the production of commodities falls continuously. With Leichter, the objective relationship of the producer to the product is not determined in the production process itself. He is only capable of conceiving only of a kind of intelligent labour machine which is nourished on the basis of a statistically derived physiological or "minimum standard living" subsistence minimum, a machine which, in spite of the increase in the mass of products which its labour has created, nevertheless needs to receive no extra calories or other input of life necessities whatsoever. Or, alternatively, perhaps the labour machines do after all receive some part of the increased wealth, but even if this is so, it is in spite of the fact that not the slightest guarantee is given of this ever actually happening. The essential point here is that, under a system of labour-time computation, the owner-controllers of the production system, the workers themselves, exercise a complete right of disposal over the increased mass of products produced.

Thus it can be demonstrated that the category of social average labour-time is meaningless if it does not simultaneously function as the foundation of distribution. If the relationship of the producers to their product is directly anchored in the products themselves, then no leeway exists for a "price policy", and the fruits of each and every improvement in the productive system accrue directly and automatically to all consumers without any need for anyone to "decree" this administratively. The fact that, with Leichter, the three capitalist wage categories can be shown to exist proves that *his production plan, just like capitalism itself, also rests upon exploitation.*

## 2. VARGA'S STATE COMMUNISM AS A FACTOR IN DISTRIBUTION

Leichter, however, is not the only one to seek his salvation in a "price policy": Varga also makes this the centre of gravity in a communist system of distribution. He differs only from his colleagues Neurath, Leichter, etc. only insofar as he approves in principle of a system of equal distribution of the social product. In the transitional period, it will not be possible to eliminate exploitation immediately, because we must expect that "a generation of workers would for a time exist which has been corrupted by capitalism, which has been brought up under the shadow of an acquisitive and egotistical capitalism",<sup>[5]</sup> and would set its face against an equal distribution of the social product. It is well-known that skilled workers tend to view unskilled workers with a certain contempt, whilst a perverted sense of justice tends to allot to the scions of the intellectual professions, such as doctors, engineers, etc., a larger share of the total product than that which accrues to the "ordinary" workers. Today one may consider this differentiation to be too extreme, but ... "an engineer nevertheless remains something different from a dustman"! To what extent the working class may in the course of the revolution come to discard this ideologically bolstered excrescence remains to be seen. One thing, however, remains certain: once the revolution is complete, this re-education must be carried through very swiftly, since an antagonistic mode of distribution of the product will always lead to rivalries and quarrels within the working class itself.

In the above mentioned text Varga has set down his experiences and theoretical observations concerning the Hungarian Soviet Republic. The history of Hungary is extremely important to the study of a communist economy, because it was here that the theory of state communism was first put into practice and that practice than hallowed as theory. In Hungary the attempt was made to construct communism according to the rules of the state-communist concept, and indeed under such favourable conditions that "the transformation and organisational restructuring of the economy proceeded faster and with greater energy in Hungary than in Russia itself" (Varga, page 78). Economic construction, indeed, proceeded according to the Hilferdingian vision of a "general cartel" (page 122), in which the State, as general manager and administrator of both production and distribution, enjoys the full right of disposal over all products. All commodities still produced in the "free" capitalist sector of the economy are now bought up by the State, whereupon the latter does indeed enjoy complete domination over the social product.

In the case of distribution, it was at first the pressing need to supply industry with raw materials and means of production which imposed itself as an urgent necessity. For this purpose the Supreme Economic Council had established a number of central distribution points for raw materials, which then allocated to the factories whatever quantities of raw materials and other means of production as seemed necessary and expedient to them. These central distribution points were, however, by no means simply organs of distribution; they operated simultaneously as instruments of political and economic power, since they consciously sought to promote the concentration of production through their control of materials supply. Factories which "higher authority" had decided to close down were simply cut off from the source of supply of essential materials, whereupon the operating staff were thrown onto the street. There is first hand evidence to show that the workers fought against such a process of concentration, which held the same fateful consequences for them as it did under capitalism. The very practice taught them the lesson that the producers held no rights of disposal over the system of production. This right remained in the hands of the state officials of the Supreme Economic Council, which later thus comes into irreconcilable conflict with the producers themselves (E. Varga: *ibid.*, p. 71).

To this we would add the comment that concentration "from above downwards" apparently enjoys the virtue of being carried through more quickly than that "from below upwards", but the price to be paid for this accelerated development is the power the producers would otherwise wield over the system of production, that is to say: communism itself!

We have already noted that state communism of the Varga brand knows nothing of any economic scale of measurement determining the distribution of raw materials and means of production. The allocation of materials needed by industry for current production is carried out solely "by order of the relevant authorities" and is in no way determined objectively by the process of production itself. From the point of view of both social and economic policy, industrial production thus leads to a total fiasco. In social policy, because producers end up in a situation of total dependence upon those authorities which allocate the products; in economic policy, because under a system of distribution based upon subjective administrative assessments the needs of reproduction are not guaranteed. Varga is thus in essence a "commodity manager", who in the last analysis tends towards the system of centralised production and distribution advocated by Neurath, one which operates without any unit of economic control. Indeed he states that "for the time being the need for money prices and money wages exists", but is forced to add that this has to be overcome through a more plentiful production of goods. But then there remains absolutely no objective measure by means of which the growing productivity of the production apparatus may be evaluated. True planned production on any real basis then ceases, and it becomes impossible to measure and allocate as much product for the next production period as was used up in the previous one - i.e., to ensure even simple reproduction.

To overcome the chaos of state communism of the Varga variety, it would finally have become necessary to have established production upon the firm foundation of a unit of control, which by the very nature of the situation could have been nothing other than that of the average social hour of labour. But this would simultaneously have brought to an end any system based upon arbitrary allocation of the social product according to subjective administrative decision. As soon as the factories introduce a system by means of which their consumption is calculated in terms of labour-hours, according to the formula (p

+ c) + L, then the system becomes one in which the objective process of production itself determines how much product in the form of means of production and raw materials must be supplied to the factories for the next production period. With this system, the subjective element is eliminated along with the centralised power of disposal over the production apparatus, because management and administration of both production and distribution lie in the hands of the producers.

In Varga's system, the norms determining the distribution of products for individual consumption also reflect allocation according to subjective administration decision. Indeed, we cannot expect anything different, since production and distribution are functionally interconnected. The ideal which drifts vaguely before his eyes is "natural" allocation (i.e., by barter) without any economic measure, in exactly the same way as in the objective process of production. It is for this reason that he establishes for all consumers a fixed ration for the various staple products, which can then be obtained at consumers' cooperatives. "Since, however, money wages and money prices must for the time being remain in operation", we must now turn our attention to the problem of "the fixing of prices by the state" (Varga, page 147):

"At what level should the prices of state products be fixed? If goods produced by state enterprises were to be sold at cost price, there would be no economic resources available for maintaining the above-mentioned unproductive sections of the population. (This refers to military personnel, officials, teachers, the unemployed, the sick, invalids, etc. - the Authors). Also there would be no possibility of any real accumulation of means of production, which in the proletarian state is more urgently needed for the purpose of raising the standard of living of the inhabitants than in a capitalist one. It is for this reason that, in principle, all goods produced by state establishments should be sold at the 'social cost price'. By this we mean *the cost price plus an additional increment to cover the cost of maintaining the non-productive section of the population, plus yet a further increment out of which real accumulation may be financed.* (Varga's emphasis). Expressed otherwise, selling prices must be fixed in such a way that the state not only suffers no deficit, but actually disposes over a surplus

out of which new productive installations may be financed. This, in principle, is the solution." (E. Varga: *ibid.*, p. 147)

### 3. THE DOMINATION OF THE PRODUCERS BY THE PRODUCTION APPARATUS

The practice of "price fixing" resolves itself therefore into one in which the State conducts a "price policy". It is without doubt Varga's intention that this should be a class policy, which is why he then proposes a low price rating for products which are of considerable importance to the workers, such as bread and sugar, and a correspondingly higher rating for luxury products. It should be noted, however, that he considers these variations to have more a propagandist than an economic significance, since he knows perfectly well that the vast sums swallowed up by the State must in the last analysis come from the masses, i.e. from the proletariat.

This "class policy", however well-intentioned it may be, in fact reveals the entire rottenness of the state-communist method of distribution. It demonstrates very clearly that the producer has *not* -as through the very act of labour the producer *should have* - simultaneously determined a share in the social product, but that this share has been fixed in the higher echelons of the administration through subjective administrative decisions. As a result of this, the old political struggles for government posts are continued in a new form. The fact is brought quite clearly to light that whoever disposes of political power in the State at the same time holds the totality of the social product and, through the instrumentality of the "prices policy", dominates distribution. It is nothing but the old struggle for positions of power, which is fought on the backs of the labouring consumers. If, additionally, we bear in mind that wages also are fixed by the Supreme Economic Council (E. Varga: *ibid.*, page 75), then the picture of state communist mass slavery is complete. The central administration of production has complete power to nullify any increase of wages achieved through struggle by means of their prices policy. Along with this, we also see that, with the construction of the state-communist system, the working class has laboured to create a system of production which then raises itself above and against the producers, and it grows

into a vast engine of oppression against which it is even more difficult to struggle than it is against the capitalist system itself.

This relationship of rulers to ruled is given its appropriate disguise through the democratic forms assumed by the distributive organisations. For instance, on the 20th of March 1919 a Decree was issued in Russia which made it compulsory for the entire Russian population to be organised in consumer cooperatives:

"All those cooperatives which exercised a certain independence within their sphere of operations were then amalgamated into one organic whole, whilst the consumers controlled the process of distribution through their meetings and congresses; they were 'masters in their own house'. Although the initiating force behind the formation of consumer cooperatives and their amalgamation was the state, after the formation of the organisation the responsibility for the distribution of products was left to the population at large."<sup>[6]</sup>

According to the *Russian Correspondence* we are supposed to believe that it was solely through the organisational labour of the State that this colossal apparatus of distribution was set up within as brief a period as 5 months!

One thing however is certain: the dictatorship of the Communist Party in Russia has in this respect carried out a gigantic task, and has provided a glowing example of how consumers can erect their apparatus of distribution within a relatively short space of time. However, even if it be true that the consumers are "masters in their own house", the question as to how life under communism is to be conducted, and in particular how the relationship of the producer to the product is to be determined, *is not decided there*. These decisions are taken in the central government offices. The consumers may then distribute the product "independently" - provided, of course, that their "independence" is restrained to a sufficient degree to make it conform with the norms laid down by the price policy!

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## REFERENCES:

[1] "...; it may be paper, aluminium or any other stuff".

Or, indeed, a plastic computer control card!

[2] K. Marx: *Capital*, Vol I; Penguin Books; Footnote to Chapter III, pp. 188-9.

[3] O Leichter: *Die Wirtschaftsrechnung in der sozialistischen Gesellschaft*, p. 75.

[4] Paragraph ending: What possible connection is there between this and the system of labour-time accounting in production?

Yet a further essential function of the labour certificate (or its computerised equivalent) is here revealed: that of ensuring that distribution for personal consumption takes place according to the same equal scale for each category of producer, and that, likewise, the benefits of rising labour productivity are passed onto each such category equally. As *Fundamental Principles of Communist Production and Distribution* clearly shows, it is by means of a system in which the conditions of distribution are determined by the conditions of production, and by such a system alone, that this aim can pertain as a natural and organic element of the entire economic process. The sole instrumentality through which this can be achieved is the wholly objective and impartial unit of distribution for purposes of individual consumption represented by the Average Social Hour of Labour.

[5] E. Varga: *Die wirtschaftspolitischen Probleme der proletarischen Diktatur*, p. 42.

[6] *Russian Correspondence, (Imprecorr)*, 20th January 1920, quoted in: E. Varga, p. 126.

# Chapter 6

## GENERAL SOCIAL LABOUR

### I. THE GSU ESTABLISHMENTS

Up to this point we have considered only such industrial establishments which supply, through their productive activity, a tangible or measurable product. However, we have already made reference to the fact that in certain establishments no material or physical product is created, whilst at the same time they remain indispensable for social life. We mentioned in this connection the economic and political councils, the education system, the health service, etc. - in general, institutions concerned with cultural and social needs. They produce no tangible product. The result of their activities is that their services are absorbed directly into society, and in their case, therefore, production and distribution are carried out simultaneously. A further characteristic feature of these establishments is that, in a communist society, they supply their services "free of charge". They stand freely at the disposal of all to the extent that they are needed. With this type of establishment the principle "supply according to need" is realised; distribution takes place without economic measure. This type we will name ESTABLISHMENTS FOR GENERAL SOCIAL USE (GSU ESTABLISHMENTS) or simply PUBLIC ESTABLISHMENTS. This is in contradistinction to those establishments which do not produce without compensation and which are here named PRODUCTIVE ESTABLISHMENTS.

It should be clear that this difference in economic function introduces complications into the communist system of economic regulation and control. Were all establishments to produce a tangible product, one would need to say relatively little about communist production. It would only be necessary to organise a correct distribution to the productive establishments in respect of P, C and L, and production would be able to move smoothly forward, whilst each

individual worker could receive "the full proceeds of the individual's labour-power", paid in labour certificates at the factory. Labour-time then becomes a direct measure for that part of the social product which is destined for individual consumption.

This, however, does not reflect the realities of the system. Although the GSU (public) establishments consume means of production, raw materials and also consumption goods for the workers who work in them, they contribute no new product to the total mass of products at the disposal of society. All those use-values which the GSU (public) establishments consume must therefore be deducted from the mass of products produced by the productive establishments; that is to say, the workers do *not* receive the "full proceeds of their labour" paid out at the productive establishments, and that labour-time is not the *direct* measure determining the part of the social product which is destined for individual consumption, inasmuch as the workers must surrender a part of their product for, amongst other categories, the public (GSU) establishments. This makes it appear as if, in this case, the exact relationship of the producers to the social product had been disturbed, and it is indeed here that the source of the difficulty may be found which has caused the economists so many headaches.

It is now our task to find a final solution to this problem. For all economists concerned with the economic system of communism, this question is a sensitive point. It was, furthermore, from the attempt to solve this anomaly that, amongst other things, Neurath's project for a central authority for producers and distributors first arose, in that it is this central authority which decides what and how much out of the total social product each individual shall enjoy according to "the way of life to which he is accustomed". Others are not quite consistent in their treatment of the problem and attempt to solve it by means of indirect taxes (Russia). But in all these cases the answer to the questions to exactly what and how much should be allocated to the individual worker-producer for individual consumption represents just so much fumbling around in the dark. On one question, however, there is unanimity: in order to solve the problem a central management and administration of the economy is necessary, which then means that there can be no question of establishing an exact relationship of the producer to the product. The fact that "libertarian communism" a la Sebastian Faure is also compelled to grasp at the straw offered

to him by an economy administered "from above" means that in this system also the basic motivation may be imputed to the same cause.

Since it can be demonstrated from this *that the most significant roots of State communism lie embedded in attempts to solve this problem*, it is imperative that we devote especial attention to it. It was indeed only after the onset of the revolutionary period 1917-23 that a solution first became possible, when the marxist principle - as, indeed, the Bakuninist also - that "not the state but the union of free associations of the communist society" represents the positive principle in the construction of communism, crystallised into its first concrete form in the system of Workers' Councils.

## 2. LEICHTER'S PRICE POLICY

The first to have brought this problem closer to its solution was Otto Leichter, for the simple reason that he was the first to have placed the communist economy upon the material foundation of "cost accounting". Nevertheless his work did not reach a satisfactory conclusion, because in the final outcome he did not know how to apply consistently the category of average social labour-time to both production and distribution. Leichter's conception of the whole economy is that of a giant trust, Hilferding's "universal cartel". For him the question then resolved itself into that of deciding wherein the source from which he might derive the general public accounts (what we have termed the GSU services) might lie. He turned his face against the method of indirect taxes and sought other means. He even found them ... but, in doing so, he let fall the category of average social labour-time. When Kautsky failed, having placed himself in an anomalous situation through being unable to perceive the difference between the factory average and the social average, Leichter also failed to solve this same problem. But, in his case, he did not permit this to lure him away from the method of labour-time computation completely. Instead of calculating the social average for the entire "guild" or sector of production, he determined a "price" for each product according to the productivity of the least efficient (or most expensive) establishments, thus compelling the remaining industrial

establishments to operate at a profit, which profit then flows into the general treasury of the whole of society. Concerning these profit-making installations he writes:

"These will then throw up a differential plus amount, or - expressed in capitalist terms - a surplus profit which, of course, should not be left to accrue to this or that individual factory alone but - once again expressed in capitalist terms - must be eliminated through taxation."<sup>[1]</sup>

Although Leichter finds that it is most frequently convenient to apply a method of control over the stream of products according to "the socially necessary labour-time therein specifically expended" (page 38), he does not, as we have already noted, carry this through to its logical conclusion. Above all, he does not recognise the crucial role played by the category of *average* social labour-time. As we shall see, he attempts to compensate for this later, but nevertheless he has in this way drawn the first veil of confusion and obscurity over his analysis.

... In the meantime, this "source of income" is found to be an inadequate device and, to be quite blunt, not fundamentally essential to Leichter's system. In the course of his later examination of the problem, he attempts to formulate it more exactly and in doing so achieves a fundamental advance over and against all other work in this field of which we know. The first step in his scheme is to combine all public costs under one heading and then to determine how many labour-hours per year have been expended by all producers to achieve this (it is obvious that this requires a general system of social book-keeping). In this way he obtains two values which, when brought into relation with one another, produce a difference-amount. Since the entire calculation rests upon the computation of labour-time, he has by this means uncovered an integer which indicates how many labour-hours must be contributed per head of population on account of GSU or public works. And thus he has also uncovered how much of the labour-power directly expended in the productive establishments must be added to the prices of products in order to cover the "costs" of these GSU (public) social expenditures:

"Each productive establishment will thus have responsibility, each year when the overall production budget for society as a whole is drawn up, for

introducing into its specific works or factory budget a category relating to the entire social production system (p. 65). The total sum thus arrived at for all the various economic headings - which then become, of course, a charge upon the entire production system - is then aggregated to form some final amount, presumably one related to the total number of labour-hours performed in the spheres of both production and distribution. The difference-amount thus arrived at is then added to the sums paid out for individual remuneration of labour ("wages") when the origination costs of all social ("public") expenditures are summated, so that an element representing the general costs of society is included in the costs of goods. It would, of course be equivalent to an injustice, and would have almost the same effect as an indirect tax, were one to add the same increment for general social costs to all commodities, to the most staple as to the most luxurious, to the most necessary as to the most esoteric. Amongst the important tasks of the Economic Parliament or Supreme Economic Administration will therefore be that of determining for each branch of industry or for each individual product the correct increment category to be applied for general social costs, always fixing these in such a way that the total non-productive costs of society are included. In this way the possibility is also obtained of influencing price policy in accordance with the viewpoint of a central authority ..." (O. Leichter: *ibid.*; p. 66)

This conception of Leichter's is remarkable indeed. In order to avoid the accusation of adopting the method of indirect taxes, he proposes that the costs of education, the health service, distribution, etc. *not* be borne equally by all members of society. It is apparently his intention that a comparatively heavier burden should be borne by those with larger incomes, as compared with those "poorer" workers whom the statisticians and subsistence physiologists consider should be advantaged. We, however, must openly declare our view; namely, that such measures would, by precisely these means, acquire the character of indirect taxation. What we are considering here is precisely the category of those costs needed to maintain the GSU establishments. Why should it be considered necessary that the "rich" should contribute more in this respect than the "subsistence workers" whose needs have been assessed according to so-called "scientific" sociological methods based on the statistical art? Could it be the case

here that it is Leichter's guilty conscience which here speaks up on behalf of an antagonistic mode of distribution of the social product?

Let us however now delete from his analyses everything which is in any way superfluous and pose concretely the question: how does Leichter arrive at his figure for general social costs? We then see that there can only be one answer: On the one hand from the surplus produced by the productive establishments and on the other hand from indirect taxes. Indeed, he evokes the appearance of wishing to add a specific increment to the prices of all products, but in practice his solution resolves itself into one in which the specific amount is fixed "for each sector of industry or for each product". Precisely which products those are to be *can be determined only through the antagonistic power-relations underlying the Leichterian class society*. And this, in its turn, can be determined only by the degree of force which the workers are able to bring to bear in their struggle against "their" supreme administration. It is for this reason that we arrive at the conclusion that Leichter is unable to solve the problem. His "exact relationship" finds its practical end in total bankruptcy.

### 3. THE DISTRIBUTION OF THE PRODUCT

It was, however, quite unnecessary, even in a situation in which such a solution by means of an antagonistic mode of distribution of the product is posed, to take this road of indirect taxes and a price policy. In the main, the problem was correctly formulated in the first place. The general social costs can only be borne by the directly expended labour-power. This becomes immediately apparent if we take, so to speak, an aerial view of the entire economic process in all its simplicity. Reduced to its most simple terms, this may be formulated as follows:

*SOCIETY IN ITS PRODUCTIVE ACTIVITY TURNS OUT PRODUCTS IN THOUSANDFOLD FORM. THESE PRODUCTS HAVE STAMPED UPON THEM HOW MANY HOURS OF AVERAGE SOCIAL LABOUR-TIME HAVE BEEN USED UP IN THEIR PRODUCTION. OUT OF THIS MASS OF PRODUCTS IT IS THE PRODUCTIVE INSTALLATIONS WHICH FIRST OF ALL RENEW THEIR USED UP MEANS OF PRODUCTION AND RAW MATERIALS. NEXT IT IS THE GSU*

*(PUBLIC) INSTALLATIONS WHICH CARRY THROUGH THE SAME PROCESS. FINALLY, THE REMAINING PRODUCTS ARE CONSUMED BY ALL WORKERS. WITH THIS, THE ENTIRE SOCIAL PRODUCT HAS BEEN CONSUMED BY SOCIETY.*

At the first stage, therefore, the *productive establishments* take out of the product mass what they have used up in p and c. This means nothing more than, that all installations, each one taken separately, which have calculated the quantities of p and c they have used up and which have adopted these into the cost computations of their products, now also renew all those products in exactly those quantities determined by the relevant cost computation. If we set down once again the production schematic for the total of all productive installations, taken together, we have:

$$(P + C) + L = \text{Mass of Products}$$
$$100 \text{ million} + 600 \text{ million} + 600 \text{ million} = 1300 \text{ million Labour-Hours}$$

In this case all these installations taken together would have consumed a total of 700 million labour-hours (for P and C). These are accordingly withdrawn from the total social product, so that a mass of product remains which embodies 600 million labour-hours.

From this remaining mass of products the GSU (public) establishments now take out what is required for the renewal of their means of production and raw materials. What then remains is available for individual consumption.

In order to formulate this mode of distribution concretely, it is necessary that the total consumption of the GSU (public) establishments be a known quantity. If we term the means of production required for these installations  $P_u$ , the raw materials  $C_u$  and the labour  $L_u$  (the index u stands for "universal", i.e. public) then we can formulate the total budget for all GSU establishments as follows:

$$(P_u + C_u) + L_u = \text{Social Services, or}$$
$$8 \text{ million} + 50 \text{ million} + 50 \text{ million} = 108 \text{ million Labour-Hours}$$

By this means we have made a further advance. From the 600 million labour-hours of product accountable to the productive establishments, 58 million are at

first withdrawn to cover the (Pu-Cu) of the GSU establishments, so that 542 million remain for the individual consumption of all workers in total. The question then becomes: what is the quantity accruing to each individual worker? In order to provide an answer to this question, we must first determine what proportion of the total yield of labour-power has been consumed by the GSU (public) establishments. Having achieved that, the problem is solved.

In the case of the productive establishments, 600 million labour-hours were expended by the workers working in them, and in the GSU establishments 50 million. For all workers taken together this amounts to 650 million labour-hours. For individual consumption, however, only 542 million out of the total yield of labour-power is available, that is to say a ratio of 542:650 = 0.83. At the place of work itself, therefore, it is not the full yield of labour-power which can be paid out, but only 0.83 of it, or 83%.

The figure thus obtained, which indicates the proportion of total labour-power which is available to be paid out at the separate industrial establishments as labour certificates, we name the *Remuneration Factor*, or *Factor of Individual Consumption* = FIC. In our example it amounts to 0.83, from which we can calculate that a worker who has worked for 40 hours will receive from that the equivalent of only 0.83 x 40 = 33.2 labour-hours in labour certificates, indicating the worker's share in total social product available according to choice.

In order to express this in more universal form, we will now compile a formula for FIC. First of all we take the value for L. From this we subtract (Pu + Cu), so that there remains L - (Pu + Cu). The remainder is divided by the number of labour-hours represented by L + Lu, from which we see that each worker obtains for his or her individual consumption:

$$\frac{L - (Pu + Cu)}{L + Lu}$$

If now, for the sake of clarity, we replace the symbols in the formula by the actual figures in our example and re-term the remuneration factor as the Factor for Individual Consumption (FIC), we then obtain:

$$\text{FIC} = \frac{600 \text{ million} - 58 \text{ million}}{600 \text{ million} + 50 \text{ million}}$$

*equals*

$$\frac{542 \text{ million}}{650 \text{ million}}$$

*equals*

0.83 or 83 percent

This calculation has been made possible because all industrial establishments have maintained an exact record of their consumption of p, c and L. The system of general social book-keeping, which registers the stream of products by means of a simple system of exchange accounting control, disposes directly over all data necessary for determining the Remuneration Factor. These are expressed through the symbols L, Pu, Cu and Lu, and can be obtained by means of a simple summation in the exchange account.

With this system of production and distribution the proportion of total social product placed at the disposal of any individual is not "allocated" subjectively by any agency. What we have here is not a system of distribution decided arbitrarily by officials; on the contrary, distribution takes place on the basis of the objective exigencies of the system of production itself. The relationship of the producers to the social product is objectively embodied in that system, and precisely for this reason no subjectively motivated authority holds the responsibility for "allocating" anything. This then also explains the "mystery" of how it comes about that the role of the State apparatus in the economy becomes redundant. The whole economy, both production and distribution, stands on objective foundations, because precisely through this relationship the producers and consumers are given the power to administer and manage the whole process themselves.

In various meetings and discussions which were held on the above theme, anxiety was sometimes expressed in various quarters that the system of general social book-keeping could under certain circumstances develop into a new organ

of exploitation, because it is empowered with the task of determining the value of FIC. It could for instance calculate this factor at too low a value.

It should, however, be borne in mind that there now no longer exists any basis whatsoever for exploitation. The entire communist economy is made up of only factory or works organisations, and they alone "govern" it. Whatever function these may fulfil, they do so only within the limits of their budgets. The organ of general social book-keeping is itself just such an industrial organisation (GSU-type) and it also can only operate within the defined framework. It cannot exercise any power over the economic apparatus, because the material basis of the economy has placed control over the economic system fully in the hands of the workers, who now constitute the whole of society. On the other hand, however, any economic system which is not founded on an exactly defined relationship of the producer to the product, and in which this relationship is determined subjectively by officials constituted in official bodies, must inevitably develop into an apparatus of oppression, even if private ownership of means of production has been eliminated.

#### 4. THE SOCIALISATION OF DISTRIBUTION

Whilst continuing our observations concerning the Remuneration Factor, we would now like to introduce into the field of our discussions a further question, one which is directly related to it. This question is concerned with *the process of growth in the direction of the higher stage of communism.*

We have seen that one of the most characteristic features of the GSU (public) establishments lay in the fact that in their case the principle "to each according to his needs" is realised. Here the measure of labour-time plays no role in distribution. With the further growth of communism towards its higher stage, the incidence of this type of economic establishment becomes more and more widespread, so that it comes to include such sectors as food supply, passenger transport, housing, etc., in short: the satisfaction of consumption in general comes to stand on this economic foundation. This development is *a process* - a process which, at least as far as the technical side of the task is concerned, can be

completed relatively rapidly. The more society develops in this direction and the greater the extent to which products are distributed according to this principle, the less does individual labour-time continue to act as the measure determining individual consumption. Although at any given moment individual labour-time does continue to fulfil this function in some degree, as the development towards communism proceeds, to an ever increasing extent does this destroy from under its feet the very ground from which it sprang. Here we are reminded of what Marx had to say concerning distribution:

"The way this division is made will vary with the particular kind of social organisation of production and the corresponding level of social development attained by the producers. We shall assume, but only for the sake of a parallel with the production of commodities, that the share of each individual producer in the means of subsistence is determined by his labour-time." (K. Marx: *Capital*, Vol. 1; p. 172)

What we have shown in our observations is that the road towards the higher form of distribution is clearly and comprehensively indicated. Whilst the mode of distribution becomes progressively ever more socialised, labour-time remains the measure only for that part of the social product which remains governed by individual norms of distribution.

The process through which distribution is socialised does not take place spontaneously, but is associated with initiatives taken by the workers themselves. Opportunities also exist in plenty through which these initiatives may be expressed. Should the production process as a whole be so far advanced that a particular branch of it which produces an end product destined for individual consumption is operating completely smoothly and without disturbances, then nothing stands in the way of integrating that sector of the economy into the sphere of fully public (GSU) establishments. All accounting procedures in these establishments remain the same. Here the workers do not need to wait patiently until it pleases their Excellencies the state officials to decide that control over a particular branch is sufficiently firmly consolidated in their hands. Because each productive establishment or complex of productive establishments represent a self-sufficient unit for the purposes of the control budget, the producers

themselves are fully able to carry through the process of socialisation of distribution.

The system of autonomous administration ensures that the productive system is extremely flexible - a factor which tends to accelerate its unhindered growth. It is, for instance, self-evident that the development of the process of socialisation of distribution will proceed at various speeds in the different sectors and localities, for the simple reason that in one establishment the demand for cultural amenities will assume a more powerful expression than in another. The inherent flexibility of the productive system makes it perfectly possible to accommodate these differences in rates of growth. If for instance the workers in one particular district wish to build a greater number of public libraries, they dispose in full of the power to do this without hindrance. New organs are then built into the system of GSU establishments which provide for a greater degree of local initiative, so that the necessary expenditures must also then be borne by the district concerned. In the case of such a district, the value of FIC will be modified, without any infringement of the fundamental relationship of the producers to the social product. In this way the workers acquire the power to mould their own social life in all its thousandfold variety.

The process of growth of the system which we have termed "consumption according to need" moves and develops within defined limits and represents a conscious process adopted by society as a whole; whilst the rate of that growth will in the main be determined by the level of social development reached by the consumers themselves. The quicker and sooner they learn to administer the social product economically, i.e. not to consume it wastefully, the quicker will it be possible to achieve socialisation in distribution. For the purposes of the control budgets which regulate the totality of production, it is a matter of little import whether the number of GSU establishments in operation is large or small. As soon as a productive establishment which previously surrendered its product for individual consumption against labour certificates transfers itself into the GSU sphere, the total GSU budget becomes that much larger and the sum of labour certificates to be provided to enable the relevant means of life to be consumed in that form becomes ever smaller. The Factor of Individual Consumption (FIC) thus becomes ever smaller in a degree proportional to the growth of communism.

It would seem, however, that a Remuneration Factor in the form of a Factor of Individual Consumption (FIC) can never disappear completely, because it lies in the very nature of social consumption that only those productive establishments which supply goods satisfying *general* needs will be amenable for transformation into the GSU type of establishment. A little thought will reveal that it will hardly ever be possible to include in the system of fully socialised distribution those many and varied articles and goods which reflect the special tastes dictated by various individual human interests of a specialised kind. Whatever view may be held concerning this, however, the matter is not one of principle. The main point is that the road leading towards a fully socialised mode of distribution is clearly indicated. The official "marxists" describe the above observations as "pure utopia" which have nothing to do with Marx. Just how matters stand with this "utopia" will be examined in our epilogue. As regards the relevant views held by Marx, however, *we can say with complete certainty that our perspectives coincide fully with his*. Referring to the "higher stage of communism" which we have termed fully socialised distribution, he writes:

"In a higher phase of communist society, after the enslaving subordination of the individual to the division of labour, and therewith also the antithesis between mental and physical labour, have vanished; after labour has become not only a means of life but life's prime want; after the productive forces have also increased with the all-round development of the individual, and all the springs of the co-operative wealth flow more abundantly - only then can the narrow horizon of bourgeois right be crossed in its entirety and society inscribe upon its banners: "From each according to his ability, to each according to his needs!" (K. Marx: *Critique of the Gotha Programme*; Progress Publishers, Moscow; 1978; pp. 17-18)

Here however, it is also Marx's view that this must be the result of *an entire process of social development*:

"What we have to deal with here is a communist society, not as it has *developed* on its foundations, but, on the contrary, just as it *emerges* from capitalist society; which is thus in every respect, economically, morally and intellectually, still stamped with the birthmarks of the old society from whose womb it emerges. Accordingly, the individual producer receives

back from society - after the deductions have been made - exactly what he gives to it. What he has given to it is his individual quantum of labour. For example, the social working day consists of the sum of the individual hours of work; the individual labour time of the individual producer is the part of the social working day contributed by him, his share in it. He receives a certificate from society that he has furnished such and such an amount of labour (after deducting his labour for the common funds), and with this certificate he draws from the social stock of means of consumption as much as costs the same amount of labour. The same amount of labour which he has given to society in one form he receives back in another." (K. Marx: *ibid*; p. 16)

## 5. THE MIXED INDUSTRIAL ESTABLISHMENTS

Our observations concerning the remuneration factor, or factor of individual consumption (FIC) rest on the basis that the productive industrial establishments are fully capable of carrying out their own reproduction, whilst the investment needs (input) of the GSU (public) establishments are borne by the labour-power of the productive establishments. It was for this reason that we devised our formula  $L - (Pu + Cu)$  as expressing the quantity of labour-hours available for individual consumption. As further development towards the higher stage of communism takes place, however, this formula must undergo modification, since there must inevitably come into operation many economic establishments which produce in part for individual consumption, but also in part in order to satisfy the needs of the further development of socialised production towards communism. Consider, for instance, the example of the electricity power stations. Light and heat are required to satisfy the needs of individual domestic consumers, but the product, electricity, is also consumed as light and power in the form of a raw material for industry, to satisfy further production. Should society have reached a sufficiently mature stage of its development in both productive and social respects as to make the adoption of an uncompensated supply of electricity for individual needs possible, then with the achievement of this step a new type of economic establishment will have come into being, one which belongs in part to the sphere of productive establishments and in part to that of GSU (public) establishments. These we

term *Mixed Industrial Establishments*. The further the process of socialisation of distribution develops, the greater is the role played by this type of mixed establishment.

It is self-evident that this development must make its effects felt both in the system of the industrial control budget as also in the determination of the value of FIC. For the purposes of drawing up the system of accounting control the mixed type of industrial establishment must be classified under the heading of one or the other of the two main types: productive or GSU (public). However, under which precisely of these two it is placed is in itself unimportant; for the purposes of accounting control all mixed establishments can be grouped either with the productive or with the GSU establishments; it is also possible to place some under one group and others under the other, as may be found expedient. The system of control budgeting thus forms no hindrance to the flexibility of production and distribution. We will consider first the case in which a mixed industrial establishment has been grouped with the productive establishments, in order to ascertain the consequences this has for the determination of the value of FIC.

In its role as a fully-productive establishment, under the previous system all the kilowatt hours supplied by our electricity generating station were credited to it in the exchange account, and hence it was fully capable of carrying out its own reproduction. With the conversion to "uncompensated individual supply", however, a debit quantity arises in the exchange account which is exactly equivalent to the amount of individual consumption. Those labour-hours which the electricity generating station is required to supply for individual consumption of light, heat and power must therefore be restored to it out of the total quantity of FIC. This debit represents a charge against the total GSU budget and is thus met out of FIC. If we now add together all the debits arising from operations of the mixed establishments, we then arrive at the general or total debits which likewise have to be met out of FIC. Representing this general debit quantity with the letter D, we obtain the following formula:

$$\text{FIC} = \frac{\text{L} - (\text{Pu} + \text{Cu}) - \text{D}}{\text{L} + \text{Lu}}$$

Let us now consider the electricity works in its function as a GSU (public) establishment. The GSU establishments have no income and their reproduction needs therefore represent a total charge against the labour-power of the productive establishments. The mixed industrial establishment however receives by way of its supply of means of production or raw materials to other establishments, a credit amount in the exchange account. That is to say, it is partially capable of carrying out its own reproduction; its total consumption of  $(Pu + Cu) + Lu$  is not charged against the labour-power of the productive establishments, because it is able to some extent to satisfy its own requirements in means of production and raw materials. If now we apply the letter G (Gain) to represent that portion which arises out of its own reproduction, then there arises as a charge against the labour-power of each productive establishment only  $(pu + cu) + Lu - g$ . If now we relate that to the totality of all mixed establishments, then the amount which must be supplied out of FIC is represented by  $(Pu + Cu) + Lu - G$ . Thus finally we obtain the formula:

$$FIC = \frac{L - (Pu + Cu) + G}{L + Lu}$$

As the third and final example which will arise out of the actual operation of the accounting control budget, there now remains the task of classifying, for purposes of the control budget, the one type of mixed establishment under the heading of the productive establishments and the other under that of the GSU (public) establishments. Here the mixed-productive establishments have a charge to make against the GSU budget in the amount of D (Debit) labour-hours, whilst the GSU establishments restored to the productive establishments those labour-hours represented by G (Gain). As a charge against FIC there thus remains  $D - G$ . The factor of individual consumption thus becomes:

$$FIC = \frac{L - (Pu + Cu) - (D - G)}{L + Lu}$$

(The above formula represents a simplified form. If it is necessary to carry out further mathematical investigations into problems associated with the accounting control budget, it will be necessary to express G and D in terms of  $(P + C)$ , an operation which can be carried out without any difficulty).

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## REFERENCES:

[1] O. Leichter: *Die Wirtschaftsrechnung in der sozialistischen Gesellschaft.*

## Chapter 7

# THE COMMUNIST MODE OF DISTRIBUTION

### I. THE RELATIONSHIP OF THE PRODUCER TO THE PRODUCT

Following upon all that has been outlined hitherto, we can now move on to deal relatively swiftly with the question of distribution. The fundamental aspect here, of course, is and remains that of securing an exact relationship of the producer to the product. We have seen that all economists who have concerned themselves with the problem of the distribution of goods and services in a communist society have not conceived this relationship as being determined in the sphere of production itself, but have made it the nodal point of competitive or antagonistic political or economic relations amongst the consumers. This however means nothing other than that the struggle for power in the State, for a dominant position within the relationship of the producer to the product, is still burning at the heart of society and is continuing to make its corrosive influence felt. Wherever, on the other hand, the producer determines a relationship to the social product directly through labour, a price policy is rendered both completely impossible and unnecessary. The conditions for the "withering away" of the State are then for the first time given, and we can say:<sup>[1]</sup>

"The society which organises production anew on the basis of free and equal association of the producers will put the whole state machinery where it will then belong - into the museum of antiquities, next to the spinning wheel and the bronze axe."<sup>[2]</sup>

"The government of persons is replaced by the administration of things and the direction of the processes of production".[3].

As soon as the decisive relationship between producer and product has been firmly anchored, it only remains to carry through the integration of industrial establishments in both horizontal and vertical directions for the production process to be structured in the most rational way possible. This integration is a process which has its starting point in the producers themselves. Today, under capitalism, it is the profit motive which leads to amalgamations of economic concerns - trusts, price rings, cartels and similar organisations. Under communism, when the profit motive has been excluded, it is a question of linking the industrial establishments with one another in such a way that a smooth flow of products from establishment to establishment or, alternatively, from a productive establishment to a distributive cooperative, can fully unfold. The exact computation of all those values, expressed in labour-hours, which flow into and out of the factories and other economic establishments, ensures the smooth operation of the whole distributive process, responsibility for which can then rest with the producers without any intervention by a State authority. The distribution of the greater part of the total social product, that is to say that represented by means of production, which flows ever anew to each productive establishment or factory, also fall unreservedly within the sphere of responsibility of the producers themselves.

If we now focus our attention upon the question of the distribution of those products destined for individual consumption, emphasis must be placed upon the mutual interdependence of production and distribution. Just as that mode of administration of the economy which proceeds from a directing centre requires the method of allocation according to subjective norms reflecting administrative judgement, in just the same way the association of free and equal *producers* makes necessarily a corresponding association of free and equal *consumers*. Thus distribution also takes place collectively, through cooperation of every kind. We have already demonstrated how, in this respect at least, Russia provided a glowing example of how consumers organised themselves in a short space of time in order to be able to distribute the product independently, that is to say independently of the State. However we have also demonstrated that this Russian independence was only a farce, because the relationship of producer to

product had already been determined previously in the higher spheres of the administration. Nevertheless, in itself the form of distribution thus achieved remains a positive achievement.

It is not the task to provide here a description of the process leading to the amalgamation of the distributive cooperatives. This will most certainly vary according to local conditions and the type of product to be distributed. Nevertheless, it is necessary that we make clear the general principles of distribution, as these are given, determined by and developed from the character of the social system of economic regulation and accounting control. This necessity arises out of the fact that it is our fundamental responsibility to demonstrate of what crucial significance it is that *the system of distribution should not in any way infringe the principle of an exact relationship of the producer to the product.*

In the course of our examination of the system of economic regulation and accounting control based upon average social labour-time, we have seen that this relationship develops, grows in strength and implants itself socially irrespective of and unhindered by the general charges imposed by society, and so ensures that "the full yield of their labour-power" accrues to the workers as a whole. Expressed in another way, this means that the costs entailed in distribution must be adopted as a part of the general GSU budget. *The distribution of goods is a general social function.*

Thus the costs of distribution cannot be borne by each separate distributive cooperative alone, if for no other reason than that, as its end result, this would infringe the principle of an exact relationship of the producer to the product. Were this to be introduced, the centralised administration of the distribution organisation would then be compelled to apply a "price policy" in order to cover these costs, and this would then lead to the principle of distribution according to arbitrary administrative decision being smuggled in by the back door. If we consider a distribution organisation from its aspect as a consumer of  $p$  and  $L$ , then it becomes clear that it has to be classified as AN ECONOMIC ORGANISATION OF THE GSU TYPE. The product or service which is the result of its activities is precisely the distribution of products.

From this characterisation it can be seen clearly that these organisations are bound by the same rules as apply to all GSU establishments. Like all others, they also prepare a budget in which is shown how much  $(p + c) + L = \text{service}$  (i.e. is equivalent to  $x$  product-hours available for distribution). Within the framework of this schematic the distribution organisation has complete freedom of movement and is "master in its own house", whilst at the same time we have ensured that, in the sphere of distribution also, the principle of an exact relationship of producer to product has not been infringed.

## 2. THE MARKET

Although we have indicated the basis upon which distribution should be founded and the structure it should take, one important problem nevertheless remains for solution; this relates to the question as to whether or not the necessary total quantity required by consumers is available for distribution; in other words, production must correspond with and reflect the needs of the population. For this to apply, we must in the first place have knowledge of the scope and quality of those needs; then the output of the productive establishments - and, where appropriate, the GSU ones as well - can be regulated to correspond harmoniously with them. This is to some extent a crucial question, since our opponents choose this as the precise point at which to direct their criticism. They declare bluntly that communism, which seeks to replace a value-engendered economy with an economy of use, disposes of no means by which to ascertain what the needs of society are. Capitalism, of course, solves this problem spontaneously. Wherever and as soon as a greater demand for certain products arises, this makes itself felt in the market in the form of an increase in the prices of the relevant commodities. Since the resulting higher profits then attract investors, capital then tends to flow towards that sector of production in which those articles are produced, so that the increased demand is satisfied relatively rapidly. A reduction in demand has, of course, the opposite effect upon production. In this way the *market mechanism* fulfils the function of a regulator of demand.[4].

It is a well known fact that this market mechanism is not the innocent tool that it appears at first sight. For it is precisely this mechanism which forms one of the nodal points through which the colossal production crises of capitalism express themselves, crises which deliver over thousands to a life of hunger and want and which also form the source of imperialist rivalries which drive millions to their death on the battlefield.<sup>[5]</sup> Nevertheless, the market is, and has been in the past to even a greater degree, an indicator of demand under capitalism. Communism, on the other hand, knows nothing of markets, also price formation and supply and demand are unknown to it, so that it has to make do without these well-known mechanisms. It was in this sphere that the notorious "devourer of communists", L. Mises earned his laurels, to the accompaniment of thunderous applause on the part of his worthy peers. With the following words he proved the economic impossibility of communism:

"Where there are no free market relations, there is no formation of prices, and without formation of prices there can be no 'economic regulation'"<sup>[6]</sup>

For Block also this was a problem the solution of which remained veiled in deepest obscurity:

"Wherever individual exchange is eliminated, production becomes a matter of social necessity, and for that reason the products themselves become objects of social necessity. As for the methods by means of which that which is deemed socially necessary are to be arrived at and determined, Marx did not concern himself further. So long as it is not possible to demonstrate by what alternative the market mechanism is to be replaced, it is not possible to conceive in practice of a non-monetary system of regulation in a socialised economy, that is to say a rational form of socialism."<sup>[7]</sup>

Thus Block has no solution to offer. The solutions proposed by Neurath and others, he considers to be impracticable - a view in which we can share. All these solutions to the problem point in the same direction and are turned out according to the same Hilferdingian recipe "with all the means made available by organised application of statistics", and thus one which yet again makes necessary a centralised right of disposal over the social product.

Before we can look more closely into this question, we must first come to grips with the two distinct characteristics possessed by the capitalist and the communist modes of distribution respectively. In the above passage we have conceded that, under capitalism, the market functions as an indicator of demand. A closer examination of this matter, however, shows that this is true only to a limited degree. Under capitalism, labour-power is a commodity, with a more or less definite market price. This price revolves around the subsistence minimum needed by the worker. Out of the price yielded by the sale of a particular unit of labour-power, the wage, that labour-power is reproduced, and therewith the matter has an end. The social product may grow to an immense degree, but the worker still receives only a subsistence minimum. Of course, needs may become greater; they are, of course, stimulated by the greater mass of products available, a great many of which are in any case unattainable. Capitalism may refer in as generous terms as it likes to its precious market mechanism, which is supposed to function as an indicator of demand; *in reality it does not take these needs into account*, or at least knows them to a far lesser degree even than do those who would seek to replace the market by a statistical apparatus. For capitalism, it is not even necessary for the market to be known precisely, because in the final instance, and particularly as far as the proletariat is concerned, it produces not for need but for profit. In other words, as far as the proletariat is concerned, the famous market mechanism moves only within the narrow limits prescribed by the *subsistence minimum*, whilst any knowledge of demand in the communist sense of the word is quite unthinkable. The bourgeois economists know this well. Block says in this connection:

*"The process of price formation sees to it that only the most urgent needs are satisfied, that is to say those needs for the satisfaction of which a maximum degree of purchasing power can be demanded".*<sup>[8]</sup>

Communist society, on the other hand, knows only of an equal scale of distribution of the social product amongst all consumers. With this system, labour-power has ceased to be a commodity which bears a price. With the growth of the social product the share accruing to each individual automatically becomes greater if in each single product the principle of a direct relationship of a producer to a product is given full expression - a situation in which prices cease to have any meaning. Thus we now see that the establishment of the hour of

average social labour as the unit of economic regulation and control has as its necessary twofold purpose i) to place the reproduction of the impersonal part of the productive apparatus on sure foundations; and ii) to order the distribution of consumption goods.

Having made these observations concerning the distinction to be made between capitalist and communist modes of distribution of the social product, it should be clear that a market where prices are formed and where demand is made effective is, under communism, completely absent. Thus it will be necessary for a communist society to bring into being at the outset those organs through which the wishes and demands of consumers will be given expression. That which capitalism has no precise knowledge, namely, the needs of the workers, becomes under communism the *entire determinative foundation of production*.

Thus where Block, for instance, poses the question as to what is to replace the market mechanism, we reply that it *will not be replaced at all!* A communist society establishes, in the form of the distributive organisations, those organs which give *collective* expression to *individual* needs and wishes.

The links and forms of cooperation which it will be necessary to establish between the various distributive organisations form a complex of problems which can only be solved in the crucible of developing communist social life itself. The initiative undertaken by producers and consumers themselves here find their full expression. Just as the liberation of the workers can only result from the struggles of the workers themselves, in the same way does this, in the context of a communist society, acquire the meaning that the entire organisational nexus between production and the distributive organisations, through which actual demand is given expression, can likewise only be the work of the producer-consumers themselves.

Those economists who represent the view that the market mechanism is an indispensable feature of any society continually make reference to the alleged fact that, if the market is absent, demand is impossible to ascertain. By this kind of demand, however, is meant those subjective vagaries of fashion which can change so suddenly because the capriciousness of popular taste is so often revealed in the capriciousness of their real or imagined needs. In this way a new

demand can quite suddenly push itself into the foreground or another equally suddenly disappear. The leaps and contortions so often apparent in the sphere of "fashion" provide instructive examples of this. It is, allegedly, the market which provides the productive apparatus with the means for adapting itself to all these twists and turns, and in this way is said to satisfy every kind of whim expressed through demand.

The above-mentioned critics have a strong argument against communism when they make the point that it would doom the spontaneously creative element in social life to a rigid immobility and ultimate death. And they have a degree of justice on their side when they polemicise against the official brand of "communism", i.e., that which would seek to measure demand "with all the means at the disposal of higher organised consumer statistics" and which is characterised by centralised administrative control over production and distribution. The fact is, of course, that the flow of creative energy in social life is not amenable to statistical control, and its richness resides precisely in its variety and many-sidedness. The aim of encompassing social needs in statistical form is completely meaningless. Statistics are capable of ascertaining only the most general social tendencies, and they are totally incapable of comprising the myriad detail which is embodied in the particular and the special. It is for this reason that we can say that a mode of production controlled by consumer statistics could not possibly be production for need, but only a production in accordance with certain norms which the central administration would lay down in accordance with the directives of those old acquaintances of ours, the subsistence or "minimum standard of living" sociologists. The objections of our critics are scattered like so much straw in the wind as soon as production and distribution lie in the hands of the producers themselves. The organisation of the consumers in their consumer cooperatives and in direct communication with the productive organisations is a relationship which permits complete mobility. This mobility would comprise and comprehend directly the changed and changing needs of individuals, who would transmit these needs directly to the productive apparatus. Such a direct connection would be made possible only because no State apparatus preoccupied with "price policy" would be present to interpose itself between producer and consumer. To each product would be given its own specific reproduction time, and this it then carries with it on its journey through the social economy. In whatever form a product is to be created, the appropriate

demand is communicated by the distributive organisations to the productive establishments. This is the entire secret as to how production organised on the basis of the communist mode of production and distribution renders the market mechanism superfluous.

If now we seek to give expression to the whole mode of distribution as a totality, *we see that the total social product (TSP) in fact distributes itself quite spontaneously amongst the various groups of consumers.* The operation of the production process itself determines how and in what precise proportions it makes the transition from the sphere of production to that of distribution, and so makes itself available to society at large. Leaving the category "accumulation" temporarily out of account, each group of consumption goods takes from the consumer such quantities as  $(P + C) + L$  as represents its proportion of the total social product, and in the same measure as that according to which it contributed to the creation of that total social product in the first place. This can be implemented without any difficulty, because on each product the appropriate production time is clearly indicated.

In the production process each productive establishment calculates its consumption needs by means of the production formula  $(p + c) + L$ . The total production process is made up of the total of all productive establishments, which we express in the formula  $(P + C) + L = TSP$ . The same system which is valid for each separate productive establishment is also valid for the total system of production. If it is the case that for each productive establishment and for each separate productive set of conditions, the average social production time has been computed, then in the same way the sum total of all production times must be represented in the total product (TSP). The following principles then apply to the distribution of TSP: each individual economic establishment, whether it be of the productive type or of the GSU type, at first withdraws from TSP as much  $p$  as has been calculated for it in its production budget. As soon as this has been carried out for all economic establishments, they have replaced once again their consumption of  $p$ , and therewith  $p$  has been distributed in a fully correct proportion.

Proceeding further, each economic establishment withdraws from TSP as much  $c$  as has been computed for it in its production budget. As soon as this has been

carried out for all industrial or other establishments, then  $c$  also has been distributed in a correct proportion and has been returned to the total system of production. Following immediately upon this, each separate industrial or other establishment has the responsibility to submit to the workers directives concerning the amount of social product available for consumption through the medium of labour certificates, in exactly the quantity as has been computed for it in the production budget under  $L$ . The total sum of these directives is  $L(x)$ ,  $x$  representing the total sum of said establishments. The consumers can then withdraw from TSP such a mass of goods as corresponds with the total of labour-hours contributed.

In this way TSP has been fully taken up by society, whilst at the same time the relationship of the various consumer groups to one another and the measure of distribution adopted *have been fully determined by the production process itself*. In no way is control dependant upon subjective norms decreed by official and authoritative bodies, the precondition for whose power of diktat resides in a centralised right of disposal over production and distribution.

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## REFERENCES:

[1] Paragraph ending: "The conditions for the "withering away" of the State are then for the first time given, and we can say:" (Quotation from F. Engels: *Origin of the Family, Private Property and the State*, p. 198 then follows). This also expresses with the utmost clarity the necessity for the first principle of communist production: "The establishment of a clear and open relationship of the producer to the product". So long as this principle is adhered to and remains the foundation of all social life, the imposition of an alienative relationship based on inequality and class privilege by an incipient class of would-be controllers of economic life remains impossible.

[2] F. Engels: *Origin of the Family, Private Property and the State*, Lawrence & Wishart, London, 1943; p. 198.

[3] F. Engels: *Anti-Dühring*; Foreign Languages Press, Peking, 1976; p. 363.

[4.] Paragraph ending: "In this way the market mechanism fulfils the function of a regulator of demand". The most basic impediment to the smooth operation of this most fundamental plank in the theoretical heritage of classical bourgeois political economy is, of course, the unavoidable tendency under capitalism for simple "demand" to be restricted in practice to effective demand. The workers - or for that matter, any other section of the population - can "demand" the commodities they need, whether these are staple life necessities, as with the working class, or capital goods and raw materials, as with the capitalists, until they are hoarse from shouting - if the money commodity needed to purchase them is not forthcoming, or at least in sufficient quantity, then a non-effective demand is as good as a non-existent or a reduced demand. Whilst the above is a depiction of what are essentially contradictions at the surface or conjunctural level of economic movement, the level of the market - and none the less real for that! - it should not be assumed from this that the marxist theory of accumulation and crisis in any way reflects the acceptance of crude "underconsumptionist" theories as a fundamental cause of crisis. On the contrary, marxist economic theory sees that cause as residing in either one of the following two or - as is almost always the case - in a combination of the two: a) a fall in the per-circuit rate of surplus value below the level at which it can effectively maintain the rate of profit against a simultaneous tendency for the organic composition of capital to rise; or: b) under conditions in which, likewise, organic composition is rising, a fall in the rate of absolute capital turnover to a point at or below which it fails to compensate for an inadequate per-circuit rate of surplus value. In other words, marxism sees the cause of crisis residing, not in the sphere of distribution but in that of production, where surplus value and profit have their generative source. For, instance, a fall in the rate of employment of labour will usually be preceded by a fall in the rate of employment of capital, the latter arising on account of difficulties experienced by capital in finding profitable conditions of production, and hence resulting in the throwing of "its" workers out onto the streets. It is this which is the primal cause of a fall in "effective demand", and not, as the facile prescriptions of the bourgeois "economic experts" maintain, the opposite, a fall in effective demand which then brings about a fall in production and hence in the current rate of employment of labour. A fall in "effective demand" is thus an effect, not a cause, of crisis.

[5] "... and which also form the source of imperialist rivalries which drive millions to their death on the battlefield." Inter-capitalist rivalry, culminating in war, is of course also a "surface conjunctural tendency", and it is therefore perfectly valid to point out its relationship to the market. Wars are fought, however, not in order to raise "effective demand", and particularly not on the part of the working class. On the contrary, their "positive" aim is to win control of markets and "spheres of influence", i.e., to promote advantageous conditions for the investment and accumulation of capital. Their "negative" purpose, on the other hand, is to eliminate en masse those "units of human labour-power" - i.e., members of the working class - who have been rendered surplus to social capital's requirements through the inexorable advance of productive technology and the rising productivity of labour and who would otherwise go towards forming a large, expensive and possibly permanent "reserve army of labour"; as well as to destroy large masses of the associated technologically outdated means of production.

[6] L. Mises: *Die Gemeinwirtschaft*, Jena, 1922, p. 120.

[7] M. Block: *La Theorie Marxiste de la Monnaie*, pp. 121-122.

[8] M. Block: *ibid*, p. 122.

## Chapter 8

# PRODUCTION ON AN EXTENDED SCALE, OR COMMUNIST ACCUMULATION

### I. ACCUMULATION AS A SOCIAL FUNCTION

Up to this point we have considered social production only as simple reproduction. Distribution of the total social product takes place in such a way that all the means of production and raw materials used up are again replaced, whilst individual consumption accounts for the remainder. In this form of distribution, the total of social production remains the same, the same net quantity of goods are produced; that is to say, society does not become any wealthier. The intrinsic end-purpose towards which the principle of "consumption according to need" tends to gravitate, and which is also motivated through the spontaneous increase in the population, is however that which demands that that necessary degree of enlargement of the productive apparatus is aimed for which will be sufficient to achieve both these aims. This then has as its necessary outcome a reduction in the quantity of product hitherto assumed to have been assigned for individual consumption; a part of this must now be invested in the task of enlarging the productive apparatus. This inevitably means that *the individual producer can no longer receive back from society the full yield of that individual's labour.*

Under capitalism the extension of the productive apparatus, or accumulation, is a motive and responsibility of the individual capitalist group. Whether or not and to what degree the productive apparatus is to be renewed is decided by it

alone. With the elimination of private property in means of production, however, accumulation assumes a social character. Society itself then decides how much product or how many labour-hours are to be deducted during the coming production period from the total labour yield and invested in the further extension of the productive apparatus. Thus the problem confronts us as to how this deduction is to be carried out. The solution generally adopted, such as has been applied in practice in the two examples of Soviet Russia and Soviet Hungary and such as has been afforded definite status in the theoretical literature, is implemented by means of an increment added to the prices of products to take account of the needs of accumulation. If we have already been at pains to demonstrate that a price policy infringes the principle of a direct relationship of the producer to the product of the producer's labour,<sup>[1]</sup> in just the same way as this occurs under capitalism; and if this can then serve as a means for concealing the true state of affairs of economic life, in an exactly analogous way can it now be demonstrated that by this means both the production budget and the indices controlling accumulation come to be veiled in mystery. If it is necessary to determine how much labour, over and above the needs of simple reproduction, society needs to deploy for the purposes of investment in the extension of the productive apparatus, then it is necessary to know as a first requirement how much labour has been absorbed in simple reproduction.

Leichter has made an approach towards a solution of the problem, in that he places production on the basis of labour-time computation and advocates that the production time for each partial process should be exactly calculated. He has, however, spoiled his own broth, in that he prejudices the viability of the whole system of labour-hour computation through his advocacy of a price policy. The productive establishments may pursue the most exact system of book-keeping for all partial processes and have brought all factors such as depreciation, raw materials, etc., within the purview of their system of accounting - nevertheless the "science of prices" practiced by the supreme management must celebrate its orgies and so render all this necessary book-keeping useless, so that society has once again no way of knowing how many labour-hours are actually consumed in each partial process. In other words, it becomes impossible to ascertain how many labour-hours have been consumed in total reproduction. It thus of necessity also becomes impossible to determine how many labour-hours must be

laid aside for investment in the extension of the productive apparatus. If the aim is to elevate the accumulation process to the level of a consciously implemented procedure, then it is above all necessary that the time required for simple reproduction be a known quantity, and the observations we have made on this matter show that this can be exactly revealed and made known only through the generally applicable formula  $(p + c) + L$ . In the case of the total production process, this becomes

$$(P_t + C_t) = L_t \text{ (Index } t = \text{ total)}$$

The question of the expansion of the productive apparatus will in the communist future become one of the most important in society, because it is a factor contributing to the determination of the length of the working day. Were, for instance, the Economic Congress of the Workers' Councils to reach a decision that the productive apparatus should be expanded by 10%, this would then require that a mass of products amounting to  $0.1(P_t + C_t)$  should be withdrawn from the sphere of individual consumption. Once the construction tasks associated with these particular accumulation measures had been completed, production would then continue according to the formula  $1.1(P_t + C_t) + L_t$ .

The next question to be asked is: how is the general decision to implement a rate of accumulation amounting to 10% to be reached in practice? In other words, how is the deduction from the sphere of individual consumption to take place? It will be recalled that, during our examination of the process of simple reproduction, it was demonstrated that the entire social product would be consumed by society if individual consumption was to take place according to the formula:

$$FIC = \underline{L} - (\underline{P_u} + \underline{C_u})$$

$$L + L_u$$

(To achieve a simplified representation, we have not included the mixed establishments in the formula; in principle this makes no difference).

Now however, in the new situation, individual consumption must be reduced by a factor of  $0.1(P_t + C_t)$ , whereby a mass of products equivalent to  $L - 0.1(P_t +$

$C_t) - (P_u + C_u)$  would remain available for consumption. With a 10% expansion of the productive system, the Factor of Individual Consumption (FIC) would be modified as follows:

$$\text{FIC} = \frac{L - 0.1(P_t + C_t) - (P_u + C_u)}{L + L_u}$$

By this means, the process of accumulation is integrated into the Factor of Individual Consumption, and there thus comes into being a general social fund amounting to exactly  $0.1(P_t + C_t)$  labour-hours, with the completion of which the general decision originally adopted by the Economic Congress of the Workers' Councils has been fully implemented.

## 2. THE APPLICATION OF THE ACCUMULATION FUND

The foregoing observations lay claim to possessing no more significance than that of theoretical generalisations, in the sense that they show how accumulation can and must be fully and consciously regulated and integrated with the Factor of Individual Consumption. Should it not be so integrated, the addition of a price increment becomes unavoidable - in other words, the actual production times will become concealed. Furthermore, in a year in which a higher rate of accumulation has been achieved, say 10%, a correspondingly longer production time will be required than in a following year in which, for instance, only 5% accumulation is attained, the general conditions of production remaining the same. Thus, in such a case, we have fluctuating production times, causing unforeseeable complications in the production budget and in the distribution of the product. The means and methods according to which the deduction on account of accumulation is to be implemented are thus decided and resolved within the economic process itself; they are prescribed by the very laws of motion which underlie the production of the product stream itself. For that reason their movements are circumscribed within firmly defined limits.

The determination of the *rate* of accumulation, on the other hand, is not implemented through the material process of production as such, but can be determined in a variety of ways. In our above example we have assumed a general expansion of the productive apparatus by 10%. There is thus made available out of the general accumulation fund a factor of  $0.1(P + C)$  for the extension of means of production in each productive establishment. A special instruction from some authority or other is not required. The objective course of production itself reveals quite clearly the amount for any claim of a withdrawal from the accumulation fund put forward by any one productive establishment.

To conceive of an expansion of the productive apparatus at a unified rate amounts, however, to an unreal assumption. In reality there will be branches of production which require no extension whatever, others for which a rate of accumulation above the average rate per cent is necessary. For this reason it will be seen to be a useful principle that only those productive establishments which require expansion should be allocated an accumulation fund as a part of the general GSU budget.

Nevertheless, the political and economic conditions prevalent during the early inceptive period of communism will make it imperative that the proletariat keep tight hold of its right even to an irrational mode of determining and allocating accumulation, if in its immaturity it occasionally so decides. The decisive factor is that, in the absence of a central authority exercising the right of control over *production*, there can also be no central authority exercising control over *accumulation* - in this sphere also the right of control must lie in the hands of the producers themselves.

An example of an irrational mode of allocating accumulation would be, for instance, if each productive establishment were to receive an increase of 10% in  $(P + C)$  without any account being taken as to how much of this expansion was really necessary at any given stage of economic development. Should such an industrial establishment form part of a production group or "guild", the practical outcome of the application of such a measure would be that the associated industrial establishments would together take steps to form an accumulation fund for the entire guild. The relevant industrial organisations would then decide according to what method and to which industrial establishments that

fund would be applied. In one case they could decide that underproductive establishments should be better equipped in order to enable them to reach the average level of productivity, whilst in another case a more rational decision might be to not add any new material resources whatever, and instead to take measures to eliminate the relevant establishments altogether. The power to enact these decisions must, however, lie in the hands of the producers themselves if a situation is to be avoided in which a screwing up of productivity is directed against their interests, as occurred in Hungary. In each and every such case an extension of production or any increase in productivity - factors which stand in organic association with a quantitative extension of the productive apparatus or a qualitative improvement in its technological level - must be the result of consciously determined measures taken by the producers themselves.

Furthermore, it is also possible that an entire production group requires no extension whatever of its productive plant and equipment, because it is already fully capable of satisfying all demands likely to be placed upon it by society. In such a case it would be possible for the relevant industrial organisations to adopt a decision to place their entire accumulation fund at the disposal of those industrial establishments which stand in need of an exceptionally large degree of expansion.

In the early inceptive period of a communist economy, it is likely that decisions not to engage in accumulation would occur quite frequently. For communism will require a different disposal of industrial resources to those which we know today. Many types of factories will become superfluous, whilst in the case of others there will be too few. With the establishment of a communist economy, the subordination of production to real needs is brought to the forefront of attention; a colossal organisational and technical labour is then commenced upon, which almost certainly will not proceed without its disagreements and frictions. Thanks to the twice and thrice-blessed "market mechanism" so beloved of capitalism, which allegedly has matched production to needs for centuries, the proletariat is, at the very moment of its assumption of social power, burdened with a productive apparatus in which at least half of all labour-power required to be expended in its operation is wastefully and unproductively applied, and which is matched not to the real needs of millions of workers, but only to their intrinsically limited purchasing power:

"A larger part of the workers employed in the production of articles of consumption which enter into revenue in general, will produce articles of consumption that are consumed by - are exchanged against the revenue of - capitalists, landlords and their retainers; state, church, etc.) and a smaller section will produce articles destined for the revenue of the workers. ... The workmen, if they were dominant, if they were allowed to produce for themselves, would very soon, and without great exertion, bring the capital (to use a phrase of the vulgar economists) up to the standard of their needs." (K. Marx: *Theories of Surplus Value*, Part 2, Chap. 18; trans. by R. Simpson; Lawrence & Wishart, London, 1969; p. 580)

The conversion of production to the satisfaction of needs thus brings with it as its necessary consequence the transformation of the entire productive apparatus. Those industrial establishments working solely for the satisfaction of the ephemeral luxury requirements of the bourgeoisie are closed down, or are reorganised as quickly as possible, so as to enable them to satisfy the needs of the workers. Just how rapidly such a re-organisation can be carried out we have been given an opportunity to observe during the War and in the years immediately following it. In the first case the greater part of the productive apparatus was converted to the production of war material, only to undergo reorganisation once again after 1918 for the purposes of "production for peace". Further, let it be noted in passing that capitalism itself is not above switching off its famous market mechanism whenever the task becomes that of organising production for the satisfaction of its "special needs" - particularly those of war!

The organisational transformation to a communist economy can, in spite of the colossal attendant difficulties, be carried through relatively rapidly, whereupon the satisfaction of such staple needs as clothing, food and housing become the decisive factors. For one thing, it is likely, particularly in the early stages of a communist society, that an appreciable portion of total productive resources will be applied directly to the production of those materials which find application in the construction of housing and living accommodation - a perennially scarce resource in proletarian life under capitalism, and which, under communism, would need to be expanded as rapidly as possible. Expressed in brief: the entire productive apparatus undergoes a fundamental transformation according to

need, as this is expressed through the instrumentality of the consumer cooperatives.

The first and inceptive stage of communist production will thus be characterised by the pronounced growth of certain branches of the economy and an equally pronounced shrinking of others. Under these circumstances, there will be no question of a homogenous and uniform rate of accumulation for all sectors of the young communist economy. Nevertheless, irrespective of any muddle which might quite likely attend the feverishly rapid conversion of the economic base, the proletariat should not allow itself to be seduced into renouncing its foremost birthright: its right of disposal over the productive apparatus and the accumulation fund. Even a possible uneconomic or irrational mode of allocating the latter would be justified if it was found to be an unavoidable outcome of serving and applying that higher principle.

### 3. SPECIAL FORMS OF ACCUMULATION

Apart from the standard forms of expansion of the productive apparatus, which are implemented through claims placed by the industrial organisations upon the accumulation fund, there are other special industrial tasks, such as the construction of bridges and railways, enlargement of major road arteries, the construction of major defence barriers against the sea, etc. These tasks generally require several years for their completion. During this time the most varied products, materials and means of consumption are supplied by society to satisfy the needs of the workers engaged therein, whilst in the meantime no product is produced which might compensate society for the resources it has supplied. This particular form of the extension of the productive apparatus consumes not a small part of the total social product. As a consequence, a significant number of debates at economic congresses will of necessity need to concern themselves with reaching decisions as to the scale upon which these construction tasks are to be undertaken. In this way society as a whole makes giant strides along the path towards its higher development, since the more the productivity of the apparatus of production can be raised and the more readily social needs are

fulfilled, the more does the capacity of society to carry through the most complex and developed functions increase:

"On the basis of social production, it would be necessary to determine to what extent it was possible to pursue those operations, which withdraw labour-power and means of production for a relatively long period without any useful product or useful effect during this time, without damaging those branches of production that not only withdraw labour-power and means of production continuously or several times in a course of a year, but also supply means of subsistence and means of production. With social production just as with capitalist production, workers in branches of industry with short working periods will withdraw products only for a short time without giving other products back in return, while branches of industry with long working periods will continue to withdraw products for a long time before they give anything back. This circumstance arises from the material conditions of the labour-process in question, and not from its social form." (K. Marx: *Capital*, Vol 2, Pt. 3, Chap. 18; Penguin Books; p. 434).

"If we were to consider a communist society in place of a capitalist one, then money-capital would be immediately done away with, and so too the disguises that transactions acquire through it. The matter would be simply reduced to the fact that society must reckon in advance how much labour, means of production and means of subsistence it can spend, without dislocation, on branches of industry which, like the building of railways, for instance, supply neither means of production nor means of subsistence, nor any kind of useful effect, for a long period, a year or more, though they certainly do withdraw labour, means of production and means of subsistence from the total annual product. In capitalist society, on the other hand, where any kind of social rationality asserts itself only *post festum*, major disturbances can and must occur constantly"(K. Marx: *Capital*, Vol 2, Pt. 2, Chap. 16; Penguin Books; p. 390).

In the above paragraphs the problem is set forth with the greatest clarity and the solution in general terms is simultaneously given. Nevertheless, it is no more than a loose and generalised solution, which still requires to be given more

concrete form. And here once again there is a parting of the ways between the contending views. On the one side we have the Social Democratic and Bolshevik defenders of nationalisation or central economic administration, and on the other side the representatives of the Association of Free and Equal producers. In just the same way as contemporary vulgar "marxism" considers a central economic administration to be an essential instrument in making provision for the necessary social costs, so also does it consider this to be necessary for the solution of the problem posed above.

According to the Social Democratic or Bolshevik view, the obvious solution is that the central administration of the entire economy determines quite arbitrarily the course to be taken by the whole system of production and distribution, and so also takes into account those special cases mentioned above. Indeed, this question forms one of the main arguments through which the advocates of pragmatic social-democratic perspectives believe that the necessity for the administration of the entire economy through a centralised control authority i.e., through the State, is proved. They make the point that crises and other social disturbances such as occur under capitalism as a result of carrying out such tasks can only be avoided when the entire system of production is supervised and controlled from above by an arbitrary subjective authority. Furthermore, this is indisputably the case - under both capitalism and State socialism! For "marxists" of this calibre proof is thereby given that the State must of necessity manage and administer the entire economy in all technical, organisational and economic respects. The methods which the State then applies in order to control production and distribution, in order subsequently to solve the aforementioned problem confronting it by the device of substituting for it purely technical-organisational, i.e., subsidiary ones - these methods we are able to find in the oft-quoted Hilferdingian recipe:

"Exactly how, where, in what quantity and by what means new products will be produced out of the existing and man-made means of production ... is decided by the social commissariats of the socialist society at national or local level. It is they who mould with conscious intent the whole of economic life, utilising for this purpose all the instruments at the disposal of organised production and consumption statistics, in accordance with the needs of the communities as they, the social commissariats, have

consciously represented and formulated them." (R. Hilferding: *Finance Capital*, trans. T. Bottomore, p. 28.)

We have already indicated above as to what extent and to what purpose such statistics suffice, how in the realm of theory they amount to no more than a blueprint for a communism of a prison-camp, and how in the realm of practice they must for that reason inevitably collapse. Over and above this, however, it is clear that such statistics only serve any purpose when they are based upon a system of economic regulation and control through social book-keeping. A system of statistics which indicate how many tonnes of coal, grain, iron, etc., have been consumed, whether measured in quantity, by weight or by whatever other unit of measures and in respect of whatever goods, is for the purposes of social regulation of production and distribution *completely valueless*. One may conjure up as many sophisticated indices and formulae as one wishes, if the fundamental unit of measurement is not one based upon social relations, is not one which expresses the *relationship of the producer to the product*, then each and every method of statistics dreamed up for the purpose of regulating social production and reproduction can only be quite worthless. The whole meaning and purpose of the social revolution is precisely that it is concerned with transforming, indeed *turning upside down and placing upon its feet*, the existing capitalist relation of the producer to the product. It was the great achievement of Karl Marx that he perceived this relationship in all its historical significance, and proceeded to develop it into an exact science in application to the capitalist mode of production. With the transformation of the social order the relationship of producer to the product is also transformed, and the new mode of production requires precisely that a new definition of this social relationship be elaborated.

The social revolution secures this new relationship and places it on a firm foundation, by offering to each worker a claim to just so much social product as corresponds with the labour-time that worker has placed at society's disposal. The revolution establishes the system of labour-time computation and accounting throughout society as the instrument for achieving that new relationship.

The lords of statistical apparatus do not consider even for a moment the possibility of establishing the new relationship, and for that reason it does not

even occur to them to introduce the system of labour-time computation. Instead, they make use of the old established categories and methods of the capitalist society, such as the market, prices, commodities, money - tools with which it is impossible to ensure control even over simple reproduction. The State-capitalist system has not the faintest conception of just how much labour-time has been consumed in a particular sector of production, and even less idea how much labour-time has been consumed in order to achieve simple reproduction!

That a State-communist - or, even more to the point, a State-capitalist - social system might find the means to compute in advance "just how much labour, means of production and means of consumption it can employ without causing any disruption to any other branch of the economy - such as would occur, for instance, with the construction of railways over a longer period of time without any compensating supply of means of production or consumption or any other useful social service being rendered" - this, of course, would be for such a social system completely out of the question! These problems it must and would solve in the same manner as that by means of which they are solved under capitalism - by chaotic and arbitrary rule of thumb. The damage thereby inflicted in other branches of production would then have to be made good by whatever means lie to hand; clearly this offers no solution to the problem; in fact, it amounts to leaving affairs as they were under the old system.

Communism cannot employ such a method, and furthermore it has no need to. By means of exact methods of computation it is possible to calculate the exact time required for the reproduction of each and every commodity or service, be it a kilogram of sugar or a theatre performance, an entire branch of production or the whole of economic life itself; whilst simultaneously a publicly declared rate of accumulation proceeds along firm and clearly defined lines. By the same means it then becomes possible for society to determine accurately how much labour-time it is able to invest in large-scale projects, the influence of any subjective element being simultaneously excluded from any access to social control. And so it happens that this problem also finds its concrete solution in a system based upon the exact definition of the relationship of the producer to the product, achieved by a system of labour-time computation and implemented

through the agency of the factory and other industrial organisations, the Workers' Councils.

Should, for instance, the construction of a new railway prove to be necessary, the first step would be the drawing up of a budget in which is indicated how many labour-hours this operation would consume and the number of years over which it would spread. Should the decision be taken by the Economic Congress of Workers' Councils to set this operation into motion, society would then have the responsibility for making the necessary resources available. The operation would, of course, be classified under the category GSU, it would require, say, from 3-4 years for its completion and thus, during this period, would require to consume a variety of products without any compensating ability to supply any service in return. As soon as, however, the quantity of labour-hours to be expended each year becomes known, this can be deducted from the Factor of Individual Consumption (FIC) in the GSU account, and therewith society has made available out of general production the total product equivalent of labour-hours required for pre-producing this special unit of accumulation. All possible causes of disruption or disturbance to other spheres of production are thereby avoided, whilst simultaneously the principle of an exact relationship of the producer to the product is not infringed.

Seen solely from the aspect of the economic factors involved, the problem has therewith found its solution. There remains to be solved only the organisational and technical problems and the appropriate distribution of the human resources. Here, it is possible to make only the most general observations, for the simple reason that, in this case, the solution no longer belongs in the sphere of the theory of communist economy, but is one of human social practice in its myriad forms and with its continually changing relationships. Thus it is not possible to determine in advance precisely what shape the special will take within the bosom of the general.

For this reason we content ourselves only with the general observation that, so soon as society has taken a decision to embark upon construction works of an extraordinary kind, such as the construction of railways, etc., and has made available the necessary labour-hours of social product through adoption into the

GSU account, it has thereby simultaneously decided upon a corresponding regrouping of the necessary resources in human labour.

In order to render this category in comprehensible form, we must first of all conceive in our minds the simplified model of a communist economy developing on the basis of simple reproduction. From out of the regularly occurring demands submitted by the distribution organisation, which of course exercises the responsibility for combining the myriad individual needs reaching it from the economy at large into a single combined total, there arises over a period of time a productive apparatus adapted to the satisfaction of those needs. If it is likewise assumed in our simplified model that variations in the productive apparatus arising out of changes in the objective conditions of production do not occur, such a mutual integration and adjustment to each others needs on the part of the many industrial establishments concerned would make it possible to conceive of such a productive apparatus as being in a condition of *virtual immobility*. In such a case, the distribution of labour resources would also be stationary, whereby, as a natural course, changes by individuals from one workplace to another would appear to be quite possible and routine.

That such a situation should arise in a system of social production is of course purely imaginary; the reality would mean that it would move continually further away from such a condition. This, of course, is what occurs in the case of standard accumulation, which we generally assume to take place at a regular and even rate. It is inevitable that changes in the productive apparatus will occur and make necessary corresponding changes in the distribution of the labour resources. In the case of irregular and uneven accumulation, these changes will assume a fluctuating character; nevertheless it is hardly likely that social difficulties will arise in the distribution of labour resources. That which capitalism acquires out of conditions of coercion from out of the reservoir of the industrial reserve army, communism will obtain by means of the natural urge for activity and the creative initiative exercised by the free producers.

It is also this which justifies the assumption that extraordinary construction operations such as those described above will not cause difficulties for a communist society on anything like the scale that they entail for capitalism. This is related, of course, to the willingness of the producers to carry out such

exceptional works. After all, it is they themselves who will adopt the necessary decisions through their relevant organisations.

A further question to be considered is whether, expressed in capitalist terms, sufficient labour resources would be available for the carrying through of such special construction operations. We emphasise on purpose the words "expressed in capitalist terms", because a capitalist economy is able to make use of the reservoir of surplus labour which is always available to it through the industrial reserve army, whilst such a thing would be a monstrosity under communism. Thus, whenever communism seeks to organise such special construction operations, it must also encourage the redeployment of labour resources from one or another sphere of employment to that of the new one; in other words a regrouping of labour resources must occur.

The extent of this regrouping and the spheres of production from which such labour resources are released are, however, aspects of the matter which would already be indicated within and through the relevant decision of the Economic Congress of Workers' Councils that the construction works in question should be put in hand and the corresponding reduction in the Factor of Individual Consumption (FIC) effected. As a consequence, the sphere of individual consumption reduces its demand upon production by the total of labour-hours which have been computed as necessary annually for the pre-production of the particular extraordinary construction operations in hand. It will therefore be from the spheres thus affected that the labour resources can be made available which are required for the intended railway construction works, etc.

In conclusion, we would observe additionally that, as far as such extraordinary construction works are concerned, the scope and size of the industrial resources required by them and the production spheres under which these would fall would in the longer term become subject to standardised economic procedures. As long as such a situation might arise, there would no longer occur any appreciable displacement in the disposition of productive resources, whereby the labour resources required for such extraordinary construction works would become more or less permanently available.

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## REFERENCES:

[1] O. Leichter: *Die Wirtschaftsrechnung in der sozialistischen Gesellschaft*, p. 31.

## Chapter 9

# THE SYSTEM OF GENERAL SOCIAL ACCOUNTING AS THE MODEL METHOD OF INTEGRATING ECONOMIC PROCESSES

### I. THE LABOUR-HOUR AS THE FOUNDATION OF THE PRODUCTION BUDGET

We have already made reference on several occasions to the Hilferdingian vision of a mode of concentration of the social productive apparatus which arises as a consequence of the rule of capital itself, that is to say, the general cartel. If we repeat this yet again, it is because we find in it the purest possible representation of social production as taking place through an organised unit, as this will take form according to the doctrines elaborated by the social-democratic and State-communist economists after the abolition of private property in means of production has been carried through. The relevant passage is as follows:

"The whole of capitalist production would then be consciously regulated by a single body which would determine the volume of production in all branches of industry. Price determination would become a purely nominal matter, involving only the distribution of the total product between the cartel magnates on one side and all the other members of society on the other. Price would then cease to become the outcome of factual relationships into which people have entered, and would become a mere

accounting device by which things would be allocated among people. Money would have no role. In fact, it could well disappear completely, since the task to be accomplished would be the allocation of things, not the distribution of values. The illusion of the objective value of the commodity would disappear along with the anarchy of production, and money itself would cease to exist. The cartel would distribute the product. The material elements of production would be reproduced and used in new production. A part of the output would be distributed to the working class and the intellectuals, while the rest would be retained by the cartel to use as it saw fit. This would be a consciously regulated society, but in an antagonistic form. This antagonism, however, would express itself in the sphere of distribution, which itself would be consciously regulated and hence able to dispense with money. In its perfected form finance-capital is thus uprooted from the soil which nourished its beginnings. The circulation of money has become unnecessary, the ceaseless turnover of money has attained its goal in the regulated society, and the *perpetuum mobile* of circulation finds its ultimate resting place".<sup>[1]</sup>

This passage offers in a few bold outlines a genial representation of an economy forged into a single unit; production and reproduction are fused together within a single organisation. Existing today under the direction of a consortium of capitalist magnates - what stands in the way of the State assuming command over such a structure tomorrow? But Hilferding also declares that the economic categories of capitalist economy - value, price, money, the market - will be eliminated and made purposeless through the organisation of the economy on the foundations of such a system. At the same time, however, he has not a word to say as to what will take the place of these categories. Nevertheless, he does declare that, in the case of the "general cartel", the magnates of capital will rule through their control over finance capital, whilst under socialism the State commissioners will determine and administer the economic process "with all means of statistical science at their disposal".<sup>[2]</sup> Concerning the system of statistics itself, through which it is intended to replace value, price, money and the market, he says nothing. Although Hilferding disdains to declare himself clearly on these matters, one must nevertheless enrol him into the school of 'natural'<sup>[3]</sup> economists within which Neurath, Varga and others must also be

included, and which would seek to control the process of production and distribution by means of the notorious system of production and consumption statistics which dispenses with the application of any economic unit of social regulation and control. We have already seen what characteristics such a brand of 'socialism' would possess when we considered the Faurean system of "universal happiness".

It is unnecessary to investigate further the impossibility of such an economy; we will make only the additional point that even the "general cartel" described by Hilferding cannot manage without a computed unit of economic regulation and control. If Hilferding has clearly demonstrated how money becomes superfluous in a consciously operated economy, then it is also clear that only the labour-hour can function as its replacement. Communist economy must rest upon the foundation of labour-time computation, as any other unit measure of accounting control is out of the question. Thus it becomes necessary for society to compute "how much labour each useful article requires for its production" (F. Engels, *Anti-Dühring*). As our criticism of Kautsky has demonstrated, this is quite impossible to carry out from the offices of a central economic authority. The procedures associated with labour-time computation must therefore be effected through the agencies of the locally based organisations themselves at the place of work - at the factories, works, offices, etc. A system of social accounting based upon the computation of average social labour-time, uncompromisingly implemented, and applied to both tangible products and services, provides the firm foundation upon which the entire economic life of the producer-consumers must be structured, directed and administered.<sup>[4]</sup>

The strict application of the category of average social production time which, as here expounded, moves and develops wholly on the foundations of marxist economic theory, leads to an organic union of economic life in its entirety. The economic organism emerges as a system in which all the antagonistic motivations of capitalist commodity production have been eliminated, that is to say, as a system designed solely to promote the struggle of humanity as a whole against the forces of the Darwinian jungle. Within this system the stream of products move wholly in accordance with the laws of motion established by labour equivalents: " a quantity of labour in another form is exchanged for an equal quantity of labour in another form". At the end of the chain of production the

finished product available for disposal in the hands of the consumers has required for its production the total production time applied, neither more nor less, from the very beginning to the very end.

The book-keeping procedures necessary for the regulation of the product-flow do not as yet extend further than the sphere of the individual industrial establishment or the production sector to which it belongs, and relate in the main only to input and output, that is to say, to the product-flow through the factory. Aside from this, however, we would observe that this has nothing whatever to do with the works or factory-based method of cost accounting, which in recent years has become a science in itself. For this a specialised knowledge of the different specific production processes in the separate industrial establishments is necessary; this is designed to supply the data needed for an entry recording system of the debit and credit type. In a system, however, in which production times have been ascertained by competent technical staff, there remain only the movements of debit and credit for the office workers to record.

The method according to which the settlement of charges between the various productive establishments takes place has to a large extent already been pre-developed under capitalism, in the form of simple transfer-accounting effected through the banks or clearing houses. In respect of methods of settlement applicable to a communist economy, Leichter declares:

"All material requirements of production, all half-finished materials, all raw materials, all auxiliary materials supplied by other productive establishments for the use of the one which works them up, are accounted a charge to the latter. The question as to whether this is discharged through spot-settlement in the form of labour-hours expressed in terms of Labour Certificates, or if ledger-controlled charges are resorted to i.e., a method of ledger-control charging which dispenses with 'spot-payment', will best be resolved through practice itself".<sup>[5]</sup>

Practice will indeed have a decisive word to say in this matter. In principle, however, it must be said that a mode of payment by "spot-settlement" effected through labour certificates would represent a fundamentally wrong solution.

Firstly, because it fulfils no essential purpose, and secondly because an on-the-spot or 'cash' method of settlement would introduce serious hindrances onto the system of social regulation and control over production.

The intervention of labour certificates into relations between the productive establishments is wholly superfluous. In every case in which a factory delivers its end product, it has handed on  $(p + c) + L$  labour-hours to the chain of partially completed use-values. These must then be taken up immediately in like amount by the receiving establishment in the form of new  $p$ ,  $c$  and  $L$ , in order that the next labour or production process may commence. Thus the regulation of production in accordance with this system requires no more than a registration of the stream of products, as this flows through the total social production system. The sole role of labour certificates is to function as the means to enable *individual consumption* in all its variety to be regulated according to the measure of labour-time. A part of the total 'yield' of any individual unit of labour is, in the course of daily economic life, already consumed through the processes of socialised distribution, i.e., reproduction, whilst only a certain proportion of that total can make its way in the form of labour certificates into the hands of individual consumers and be expended in accordance with the production times stamped upon the separate consumption articles. We have already observed that the mass of labour certificates issued becomes continually smaller as the process of socialisation of distribution proceeds, finally to reach a figure of nil.

The determination of the Factor of Individual Consumption is social book-keeping in the truest sense of the word. On the one hand there appears on the credit side of society the amount representing those labour-hours directly expended by the productive establishments:  $L$ . This figure can be found immediately in the system of general social book-keeping under the heading of the settlement account. On the other hand there appears here as a debit the quantities of  $P_u$ ,  $C_u$  and  $L_u$ . *Thus society establishes a system of general social book-keeping out of the totality of social production and consumption.*

It is by these means that the following passage from Marx becomes reality:

"Book-keeping, however, as the supervisor and the ideal recapitulation of the process, becomes ever more necessary the more the process takes place

on a social scale and loses its purely individual character; it is thus more necessary in capitalist production than in the fragmented production of handicraftsmen and peasants, more necessary in communal production than in capitalist".<sup>[6]</sup>

This is book-keeping pure and simple, and nothing more than book-keeping. Although it is the central point at which all the various strands of the economic processes come together, it nevertheless wields no power over the economic system. The system of general social book-keeping is itself an economic organisation of the GSU or "public" type, which has as one of its functions the responsibility for regulating individual consumption through the calculation of the remuneration factor, or the factor of individual consumption (FIC). It imparts neither any right of management or administration of, nor any power of disposal over, the economic system as such. These functions lie solely in the hands of the producer-consumers. The indigenous Workers' Council situated at the establishment responsible for general social book-keeping has authority in one such establishment only, and that is its own. This is so, however, not because of this or that decree, nor even because it is in any way a reflection of any kind of good will on the part of the workers who work in the Exchange and Settlement Office, but is determined objectively by the economic process itself. It is so because, amongst other things, each economic establishment or production sector is responsible for its own reproduction, and because each individual worker has, through that individual's contribution of labour, simultaneously determined his or her relationship to the social product.

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[1] R. Hilferding: *Finance Capital*, trans. T Bottomore, p. 234.

[2] R. Hilferding: *Finance Capital*, trans. T Bottomore, p. 28.

[3] "... the school of 'natural' economists ...". By this meant those theorists of socialism or anarcho-syndicalism who advocate the establishment of the new economic relations on the basis of barter, or exchange in kind.

[4.] Paragraph ending: "A system of social accounting based upon the computation of average social labour-time ... provides the firm foundation upon which the entire economic life of the producer-consumers must be structured, directed and administered". The predilection of Kautsky - as, indeed, of virtually all other members of the professional intelligentsia in the leadership of the Social Democratic Party of Germany - for indirect empirical methods of economic control embodied in a vast bureaucratic State machine and characterised fundamentally by externally imposed forms through which the domination of the apparatus of production and distribution over the producers is realised, was itself a symptom of the petit-bourgeois, deterministic world outlook characteristic of that class - and one, furthermore, which declared its close kinship to the bourgeoisie proper. The longing for the perfect machine of social and economic administration which filled the dreams of these mechanical-determinist founding fathers of State socialism was, of course, later realised in Russia by Lenin and the Bolsheviks.

[5.] O. Leichter: *Die Wirtschaftsrechnung in der sozialistischen Gesellschaft* p. 68.

[6.] K. Marx: *Capital* Vol. II, Pt. I, Chap. VI; Penguin Books; p. 212.

## Chapter 10

# THE SYSTEM OF GENERAL SOCIAL BOOK-KEEPING AS A SYSTEM OF CONTROL OVER THE ECONOMIC PROCESS

### I. THE METHOD OF CONTROL BY SUBJECTIVE ADMINISTRATIVE DECISION

Among the various functions of the system of general social book-keeping, we have named up to now the registration of the stream of products; the determination of the Remuneration Factor, or Factor of Individual Consumption (FIC); and the issuing of labour certificates. Now we will also draw into its general sphere of competence the function of control over production and distribution.

It is obvious that the form assumed by this means of control stands in close association with the foundations of the economy as a whole. In the case of State communism, in which the whole of economic life is subjected to regulation by means of subjective norms and on the basis of statistics, control also appears as a function of *administrative decision*. In a system based upon the Association of Free and Equal Producers, with labour-time computation as the basis of production and in which the distribution of all products is determined objectively by the process of production itself, the processes through which control is implemented also assume an exact form. Such a system of control takes

into account all the separate elements represented by production, reproduction, accumulation and distribution, and proceeds to a certain extent automatically.

In his book *Die wirtschaftspolitischen Probleme der proletarischen Diktatur*, Varga provides us with a description of how control is implemented under the system of State communism. He writes:

"It will be a part of the sphere of responsibility of the centrally organised management to exercise control over the works administration and the day-to-day management of affairs in respect of state property, a problem which has caused a great many difficulties in Russia. ..."

"The frivolous treatment of state property, of the disappropriated property of the bourgeoisie, derives above all from the capitalistically egotistical tendency endemic in society as a whole, a tendency which is due at least in part to the fact that moral awareness has been especially undermined as a result of the long duration of the war. However, an additional factor which plays a role here is the widespread prevalence of a lack of clarity concerning the new property relations. Those proletarians to whom has fallen the task of administrating the disappropriated factories are only too prone to adopt the belief that the factories are their own property, not that of the whole of society. This makes a smoothly functioning system of control all the more important, since it simultaneously represents an excellent means of education ..."

*"The problem of social control found an excellent solution in Hungary.* The inspectors, who previously had served the capitalists, underwent an increase in numbers through the training for this function of judges and middle-school teachers, and these, as employees of the state, were brought together into a special section under the Peoples' Economic Council. This section was divided into professional groups, so that the same inspectors were made permanently responsible for factories belonging to particular branches of industry. The spheres of control extended not only to financial dues and taxes on materials, but also concerned themselves with the correct deployment of the labour force, investigations into the causes of poor performance or of unsatisfactory results generally. The inspector

responsible carried out his inspections at regular intervals and on the spot, both in respect of the industrial establishment itself and its associated book-keeping and other offices, and drew up a report which consisted not only of the failings which had been brought to light, but also proposals for possible reforms. The inspectors themselves possessed no rights of disposal whatever over the factories allocated to them, but merely submitted their reports to the competent organisational authorities. In the meantime, there soon arose forms of cooperation between the Inspectors, the Commissars of Production and the Works' Councils. The recommendations of the inspector were often quite spontaneously complied with. A journal was even published *The Inspectors Gazette*, which was distributed to all the disappropriated factories and made a considerable contribution towards clarifying organisational problems of works management amongst the workers themselves. The structure of systematic control extended not only to the factories but also into the sphere of competence of all Peoples' Commissariats." E. Varga *Die wirtschaftspolitischen Probleme der proletarischen Diktatur* pages 67-68.

What Varga here terms "control over production" is in fact the result of combining under one heading two completely separate functions. The one relates to control in the book-keeping sense - control over the account books. This is merely a matter of debit and credit. On the other hand, it also relates to the question of technical control; this concerns itself with the continual and ever-increasing rationalisation of production throughout all stages, with which is associated the achievement of the highest possible degree of efficiency in each productive establishment. With Varga both these fundamentally different functions are united in the one control authority, which for a communist economy is fundamentally wrong. This becomes self-evident - incidentally revealing the true character of the Hungarian Soviet Republic described by Varga - when it is considered that the system of control over the production process is clearly shown to consist of a combination of two disparate functions: on the one hand, rationalisation measures and, on the other, the recording of the results of those measures in book-keeping form. Control card systems, time-clocks, the Taylor system and an ever faster-moving production line form the milestones marking the progress of this system of rationalisation which is simultaneously a system of control - but one which serves a superior power to

make effective its control over the labour which has been placed at its disposal. Under these conditions control of production means control over the producers, to determine if the results of their labour are sufficiently profitable, if they yield a sufficient surplus for the purposes of the commanding authority which lords it over the economy. This form of control bears the character of a system of domination over the producers.

## 2. OBJECTIVE METHODS OF CONTROL

The method of production control applicable in a society of free and equal producers is a fundamentally different one. There also measurements pertaining to work processes and mechanisation of the labour process, such as production lines, will exist, but now these will be technical measures for achieving and implementing the best working methods, desired and applied by the workers themselves in their respective productive establishments. This is the case, because, behind these measures, there stands not the whip wielded by the central commanding authority, which is motivated by the aim of achieving the greatest possible surplus, but the autonomous interests of the workers themselves, who with every increase in the productivity of labour simultaneously increase the total stock of useful articles available for society as a whole, to which stock all workers have an equal right. And it is here that the tasks discharged by the establishment responsible for social regulation and control over production begin. The system of social book-keeping, which of course is the clearing-house for all incomings and outgoings of the separate productive establishments, must keep watch over the incoming and outgoing stream of products, to ensure that these correspond with the productivity norms which have been determined for each respective productive establishment. Since under communism there can be no economic secrets, and since accordingly the reports issued periodically by the office of social-bookkeeping make publicly known the production situation at each separate productive establishment, the question of control is thereby solved. It simply ceases to be a problem.

Which organisations are responsible to intervene in the case of failures of, or departures from, the established procedures, and which decide the measures to be applied in such cases, represents a question in its own right; it properly belongs in the sphere of technical-organisational methods.

*THE SYSTEM OF CONTROL OVER PRODUCTION APPLICABLE IN A SOCIETY OF FREE AND EQUAL PRODUCERS IS THUS NOT DEPENDENT UPON SUBJECTIVE DECISIONS REACHED BY OFFICIALS AND AUTHORITIES, BUT IS MADE EFFECTIVE THROUGH THE PUBLIC REGISTRATION OF THE MOVEMENTS TAKING PLACE THROUGH, OR THE PROGRESS ACHIEVED BY, THE OBJECTIVE PRODUCTION PROCESS ITSELF; IN OTHER WORDS, PRODUCTION IS CONTROLLED BY REPRODUCTION*

We will now attempt to show by means of a schematic representation the precise form which the system of accounting control will take. Let us consider to begin with a process of production based upon average social production time. We have come to understand the concrete realisation of this category as a horizontal coordination of similar productive establishments. If we number the separate productive establishments belonging to a particular production group as Factory 1, Factory 2, Factory 3 ... and so on, to Factory N, and take the total of their production = t, then the following sum gives their total productivity:

Factory 1 ...  $(p_1 + c_1) + X_1$  kg. Product  
*plus* Factory 2 ...  $(p_2 + c_2) + X_2$  kg. Product  
*plus* Factory 3 ...  $(p_3 + c_3) + X_3$  kg. Product  
*plus* Factory n ...  $(p_n + c_n) + X_n$  kg. Product

*equals*

Total Productivity  $(P_t + C_t) + X_t$  kg. Product

The average social production time per kilogram of product is thus:

Average Social Production Time =  $(P_t + C_t) + L_t$  *divided by*  $X_t$  Kg Product.

Even in those cases in which a single productive establishment produces a variety of products, these can be readily calculated by means of the production cost factor applicable to each such product.

Thus the unit of Average Social Production Time (ASPT) is valid as the unit measure of productivity, and the productivity factor applicable to each establishment is determined by the degree of deviation from the average production time (see Chapter 4). Much other data can also be derived from the above formula, such as, for instance, the average social usage of P, C and L, which in itself already permits a certain amount of leeway in the comparative evaluation of the accuracy of the separate productivity factors. In this respect, therefore, the production group has no need of a State controller or auditor, because the factors requiring to be investigated lie within the sphere of competence of the united producers themselves. The unit of Average Social Production Time thus proves to be in itself a perfectly capable instrument of control at the disposal of the production cooperative as a whole.

The question must now be asked as to whether or not, when a production cooperative is formed, the producers must inevitably lose their right of control over production; in other words, whether or not a centralised group authority must as a matter of course arrogate to itself all power over production. Without doubt dangers are lurking here, since at any given moment there remain powerful tendencies inherited from the capitalist mode of production making for the concentration of powers of control in a central authority. In the instance of the production cooperative, for instance, attempts will almost certainly be made to vest authority over the application of the accumulation fund in the hands of a central management body. Should this ever actually come about, the separate productive organisations would no longer have any decision-making authority. It is also possible that an attempt will be made to establish such a central authority for each production group, which would then dispose of the right to distribute the incoming production tasks amongst the various associated establishments, as well as to hold control over the final product. The indigenous factory or works organisations would then become no more than the executive organs of the central administration, which would mean that for them only the maintenance of the system of book-keeping internal to the establishment would remain as their sole necessary task. To what extent matters might come to this

would depend upon the degree of insight and energy brought to bear by the producers themselves. Certain it is that no progress will be possible without a sharp struggle against these tendencies. Whatever fine-sounding slogans may be bandied about, independent administration and control remain the mandatory demand from which the free producers must on no account depart.

Thus the productive establishment appears as an independent unit which cements its relations with other productive establishments and consumer cooperatives. In this way the producers hold full responsibility in their hands, and the necessary leeway is given within which independent initiatives may move and breathe, and for the creative energies springing from the liberated working masses to enjoy full scope. The significance of the system of horizontal coordination is thus no more than a matter of accounting control which is necessary for determining Average Social Production Time and, in association with this, the degree of productivity of the separate productive establishments comprising the cooperative. However, matters must not be permitted to remain static at that stage of development, but a process of mutual technical interpenetration and interdependence must also come to be established. However important in itself this process may be, it must nevertheless remain subordinate to the decisive and principled demand for independent control. And this is a matter concerning which we can agree with Leichter in affirming: "At first glance one will assume that each separate productive establishment is more or less independent; a moment one looks a little more closely, however, one will recognise quite clearly the umbilical cord which joins each separate productive establishment ... with the rest of the economy." However, the universal, all-regulating bond which in reality unites "each separate productive establishment with the rest of the economy" is *the formula for production and reproduction*. It is this which places all industrial establishments on the same foundation; production for the purpose of securing the conditions necessary for the reproduction of the economy represents the common foundation uniting all productive establishments.

### 3. CONTROL BY MEANS OF THE REGISTRATION OF THE STREAM OF PRODUCTS

It is now necessary that we return for a while to the question of the social control of production:

With the revolutionary transformation of social relations, private property in means of production is eliminated and these come into common ownership. The *legal relationship* of the industrial organisations then becomes one in which the former then accept control over means of production in an administrative capacity. This means that the industrial organisations disclose their inventories and then indicate how they propose to deploy their means of production; what this amounts to is that they submit to the Office of Social Book-keeping a production budget drawn up in the form of  $(p + c) + L = X$  kg. product. The marxist demand for a system of social book-keeping then finds its realisation in the form of the totality of the production budget: "Their stock-book (i.e., society - the Authors) contains a list of the objects of utility that belong to them, of the operations necessary for their production; and lastly, of the labour-time that definite quantities of those objects have, on an average, cost them." (K. Marx: *Capital*, Vol. 1)

If the total social inventory is given in the form of the totality of the various production budgets, by this means it then becomes obvious that the various participating establishments are therewith brought under social control. Production in an industrial establishment is a continual process. On the one hand, as input, various products flow into the establishment (this includes labour-power), in order that, on the other hand, they may leave the establishment in a new form (output). Each such transformation of material values, however, is registered in the system of general social book-keeping, in the form of an entry of product exchange, and by this means a survey of incomings and outgoings, the debit and credit of any particular establishment, is readily available. Everything which is consumed by the establishment, such as means of production, raw materials or labour certificates, appears as an ingoing entry, and everything which is transferred to society appears as an outgoing. As continuous streams these two must correspond fully with each other, must cancel each other

out. By this means an immediate check is at any time available as to whether or not, and to what degree, production is proceeding smoothly.

Should, for instance, an untoward surplus arise in any particular section of production, the office of social book-keeping is able at any moment to make an immediate report to the appropriate control instance (perhaps a joint production commission). It is not possible for the surplus to have arisen as a result of the relevant industrial establishment, at the time of the delivery of the product, having calculated more than the correct Average Social Production Time, since the latter has been made public knowledge. It must therefore be due to an error in the production budget. Should it be verified that it is indeed here that the error actually lies, then the fact has simultaneously been ascertained that the establishment concerned has been operating at a higher level of productivity than had been estimated in the production budget; its productivity factor will consequently be revised in an upwards direction.

The opposite can also occur. The system of social book-keeping reveals a deficit in the output of a certain industrial establishment. This leads in exactly the same way to a revision of the productivity factor and the separate production elements,  $p$ ,  $c$  or  $L$  of this establishment. The extent to which these may work against the wider interests of society can be determined by means of the formula:

$$\frac{(pt + ct) + Lt}{Xt}$$

in association with the establishment's production budget.

Out of this simple system of control based on social book-keeping, which proceeds quite automatically as a necessary consequence of the production process itself, there arises yet a further agency of control which is quite remorseless and inflexible in its operation: the reproduction process. If we assume a case in which a productive unit has calculated its Average Social Production Time at too low a level, then we have a situation in which the over-productive establishments are able to make reproduction effective, but they are not in a position to make good the deficit of the under-productive ones. These latter, then find themselves unable to carry through reproduction, and it

becomes necessary that society intervene and make good the missing resources out of the GSU budget for the period during which the true figure for Average Social Production Time is being newly computed from the available data.

Conversely, should a surplus arise in one or a number of establishments as a result of the application of too high a figure of Average Social Production Time, no very considerable passage of time will be needed before such an error is brought to light; on the contrary, it will be revealed relatively speedily, precisely because the system is one in which two opposite streams, an ingoing and an outgoing, an input and an output are measured in relation to one another. Over periods of time of given duration, these two must exactly correspond and cancel each other out, whilst over shorter periods this is so only within certain limits - limits which may be relatively easily determined through practice; in all cases, however, the system of automatic control is brought into play through the system of reproduction.

Insofar as we have through these observations carried out an examination showing how it is possible for the system of social book-keeping to have at its command an immediate general survey of the production process, we will now proceed to gain an insight into the means whereby it is able to place under its control the other distinct categories of the production formula also.

To begin with, control over the category labour-power, represented by the letter L in the production formula, is made effective by very simple means. The issuing of labour certificates is accepted by the industrial establishment in question only in respect of that labour-power which has been directly expended on its own behalf. If we consider that the production budgets are also maintained by the office of social book-keeping, then the following points are immediately revealed: 1) whether or not the amounts revealed as having been expended in respect of labour certificates issued lie within the limits imposed by the budget; or 2) whether or not the relationship of the labour certificates issued to the quantities either of raw materials consumed or of end-product delivered corresponds with that indicated in the production budget. It is, for instance, already known how many tonnes of, say, coal will be produced per miner, that is to say how many directly expended labour-hours accrue to any one unit of production.

Effective control over means of production is in some degree more difficult, because in this case a distinction must be made between *fixed* and *circulating* means of production. It is a well understood principle that the circulating means are absorbed fully into the product whilst the fixed means are absorbed only partially at any given time. Exactly the same use-values can however in the one case appear under the category p and in another under the category c. In a case in which a productive establishment has consumed certain use-values, then the question arises for the office of social book-keeping as to whether that particular entry should have been placed under category p or category c. It would not be appropriate to indicate here just how this question should be solved, since the solution belongs in the sphere of specialised book-keeping technique. The difficulty would, for instance, be eliminated if it were to be adopted as a rule that, a note were to be attached to the order indicating whether the item in question was to be entered under p or c, in much the same way as, at present, it is customary to indicate with cheque payments or money transfers the purpose for which the transfer has been made.

This, however, is not our concern but that of the office of social book-keeping. For our purposes it is sufficient that the categories comprising the production formula  $(p + c) + L$  may be given their appropriate registration smoothly and without hindrance, so that in this way each may be supervised and controlled separately whenever necessary. The category c in particular moves only within the limits set by the production budget and must stand in correct relationship to the category L as well as to the end product produced. Any wasteful expenditure of raw materials can thus be uncovered, not only by the production sector concerned, but also by the system of social book-keeping.

If we now consider the category p, we find that it is here that we encounter a difficulty. Such items as machinery, buildings, etc., are absorbed into the product only after a period of some 10 to 20 years, whilst at the same time they are maintained during this period in a utilisable condition by means of maintenance work, repairs, etc. If we assume an average depreciation period of ten years, then a tenth of the total production duration is written off each year; that is to say, it is entered each year into the formula  $(p + c) + L$ . After delivery of the finished manufactured product, L and c once again enter fully into the production formula; p however remains to the credit of the industrial establishment

concerned. Only after ten years have passed have the fixed means of production been wholly depreciated and become once again due for renewal.

From this it would appear at first sight as if control over  $p$  can only be made effective after 10 years, that it is only then that it can be determined whether  $p$  has been evaluated at too high or too low a level. This however is only the appearance. The actual production process is characterised, amongst other things, by the fact that the various machines and other plant have differing depreciation periods, and also by the fact that the precise moments in time at which they were placed into service are all different. Thus in any given year old means of production are being replaced by new ones at differing times. For this reason it is not only the categories  $L$  and  $c$  which move as a continuous stream through the productive establishment, but also  $p$ , even if at a slower tempo. In this way it is shown that each productive establishment will need to have employed in one year approximately the full amount of  $p$  which has been written off as depreciation.

If we now consider briefly the character of the system of social control, then it is to be noted that, as far as the productive establishments are concerned, in respect of a number of different categories, production in fact controls itself. In the first place, the fact as to whether or not the production budget  $(p + c) + L$  has in general been correctly computed and as to whether or not each separate category has moved within the limits designated by the budget represent indices that can be immediately ascertained. In the second place, control is exercised over the quantity of products produced; the result manifests itself as a control over the average production time effective in the production establishment concerned, and also over the average production time applicable in society as a whole. Out of the ratio of the former to the latter there thus also arises yet a further integer: in this case one providing control over the productivity factor.

The entire process of control therefore consists in nothing other than that of the various transfers of use-values and the acceptance of labour certificates for issue, *that is to say the objective process of production itself*, provides a check upon, and so controls, the production formula. Next we have the end product produced, the result of the objective process of production. This subjects the individual factory or works average, the overall social average and the resultant indicated

productivity to open scrutiny by the whole of society. In addition to this, an effective control is brought to bear upon each of the categories separately making up the formula  $(p + c) + L$ , as a result of the entry into account of quantities representing labour certificates issued and transfers of use-values produced - that is to say, through the objective course of the production process itself. Finally, the reproduction process (extended accumulation), which represents and embraces *objective production as a whole*, maintains an accurate final or subsequent means of control.

In those cases in which Average Social Production Time has been calculated at too low a level, the production cooperative concerned will be unable to carry through reproduction; in those cases, on the other hand, in which it has been calculated at too high a level, surpluses will be revealed which it will not be possible to absorb through current production.

## Chapter II

# THE SYSTEM OF CONTROL OVER THE ESTABLISHMENTS FOR GENERAL SOCIAL USE (G.S.U.), OR PUBLIC ESTABLISHMENTS

Control over the GSU (public) establishments runs to a certain extent parallel with that of the productive establishments. This applies particularly to the supervision of the separate categories making up the production formula  $(p + c) + L$ , which takes place through the registration of use-values and the distribution of labour-certificates. To this extent control arises spontaneously out of the objective process of production itself.

The output produced by these establishments, however, passes over to society *without compensation*, and thus they receive no credit entry for this either in the books of the establishment or in the office of social book-keeping. In these cases neither the quantity of product produced - that is to say, their Average Social Production Time (ASPT) - nor the reproduction process (extended accumulation) assumes the role of the controlling factor. Those establishments, therefore, which yield up their product for individual consumption without any economic measure are subject to automatic control in only one direction: that provided by the objective or impersonal aspect of the production process alone, since the aspect of labour-time expended ( $L$ ) is not measured. It is, of course, possible to conceive of a myriad of methods by means of which these establishments could be brought systematically under control, in order to ensure that social resources are administered as sparingly and economically as possible. The point, however, is not to devise out of the top of one's head methods of control which would presumably correspond with the specific characteristics of

the particular establishment in question; on the contrary, the task is precisely that of determining that particular form of control which reflects organically the character of social production as a whole and so is common to all establishments.

In an early inceptive period of a communist economy, it would be likely that only those establishments would belong to the type of GSU or "public" establishments which produce no physical product, such as for instance the economic and political councils, the health service, the education system, etc. The next stage of development would then likely be that of bringing the transport of goods and passengers into the sphere of uncompensated consumption. At a still more distant stage, the principle of "consumption according to need" might be extended to physically definable and measurable products destined for individual consumption. In the course of carrying through the social revolution, the first concern is therefore not with the immediate implementation to the greatest possible extent of the principle "to each according to his needs", *but with the achievement of independent administration on the part of the productive establishments and the carrying through of a system of independent production accounting and control.* So soon as production is secured in this respect, the further development of the economy to the stage of free and uncompensated consumption becomes a relatively simple matter.

In the case of all those establishments which permit of automatic control in only one direction, it is likely that the missing sphere of control would be made good by means of on-the-spot investigative comparisons. Comparisons of operative indices would, for instance, be instituted in order to determine how many labour-hours were being devoted to education in one or the other commune, how many labour-hours were consumed in the various cities in providing and servicing one kilometre of public roadway, and so on. In those cases in which a physically measurable product is distributed socially - for instance, electricity - control by means of the average social labour-time expended would once again become applicable. Now, however, it would have to be borne in mind that control would not be carried through automatically as a planned element in the work of the office of social book-keeping, but must now take place in the book-keeping department of the establishment concerned.

As a subordinate task within the general system of control exercised over the public establishments, there now also arises the need for *control over the distribution of consumption goods*. The consumers distribute the products themselves independently through the agency of their cooperatives, they are "masters in their own house". Because individual wishes here find collective expression, it is they who determine exactly what and how much is to be distributed. Their executive organ is an establishment of the GSU type, which draws up an operational budget defining its consumption of  $(p + c) + L$  and which defines its functional service as consisting in the distribution of  $x$  labour-hours.

Control over the production formula is again effected in pursuit of one purpose only: that of determining whether or not the limits laid down for the specific categories making up the production formula are being maintained - both of these yielding, as a by-product, data confirming or denying that the production formula had been correctly drawn up in the first place.

The question of control over the quantity of product distributed is also a relatively simple matter, precisely because all transfers of goods are registered in the system of general social book-keeping and because the products pass into the sphere of consumption in exact accordance with their production times. In the office of social book-keeping an exact record is maintained as to how much product, that is to say how many labour-hours, have been drawn upon to the account of each consumer cooperative. Labour certificates to exactly the same value in labour-hours must have been surrendered to the office of social book-keeping.

There are, of course certain technical difficulties associated with this procedure. For instance, the distributive organisations must take into account the fact that a portion of the available product will be lost, destroyed or damaged. For this reason it can in practice never arise that exactly the same quantity of labour certificates will have been surrendered as corresponds to the equivalent debit with the office of social book-keeping. The limits within which these deficits should move are, however, easy to determine in practice and for that reason can, be adopted, for instance, as a category in the operative budget of the distributive organisation. Control over the processes of distribution is not in principle

jeopardised by these unavoidable product losses, and the principle of an exact relationship of the producer to the product is not thereby infringed.

By this means control over both production and distribution is complete. Each category of the production-reproduction formula can be exactly scrutinised by society. Control is reduced to its simplest possible form and the economic process is so clearly perceivable that the system of *open book-keeping* makes direct control on the part of all members of society possible.

With the combined apparatus of production and distribution, the total economic system, firmly and permanently in the hands of the producer-consumers, the apparatus of the economic system of communism has found its highest and most ideal unified form, which can come into being only through the integrated operation of all productive forces, and can indeed be nothing other than this. Society thus becomes *THE ASSOCIATION OF FREE AND EQUAL PRODUCERS*. In the socio-political sphere this finds its highest expression in the system of Workers' Councils, and in the economic sphere in the system of General Social Book-keeping.

## Chapter 12

# SOCIALLY NECESSARY LABOUR AND AVERAGE SOCIAL REPRODUCTION TIME

### I. ESSENTIAL CATEGORIES

If we subject the category SNL (Socially Necessary Labour) to closer examination, we observe that two totally disparate elements have here been thrown together under the one heading. On the one hand it contains the simple determinative element that a specific form of labour satisfies a specific social need and is therefore socially necessary; on the other hand, insofar as a temporal aspect (*labour-time*) is involved, it gives expression to an element of economic regulation. Thus Kautsky, for instance, speaks of the socially necessary labour which is contained in a particular product "from its first origins through to its final completion, including transport and other auxiliary operations", and which cannot be estimated "even with the help of the most colossal and perfected statistical apparatus". Even though, according to Kautsky, it is theoretically possible to calculate this category in full, in practice this is unrealisable and therefore, as far as any purposes of budgetary control are concerned, it must, according to Kautsky, be rejected as practically useless.

Turning now to Varga, it is his intention that Socially Necessary Labour (SNL) should also have a defined regulatory and accounting role to play. It is even his wish that this should find expression in the name given to the term, and for this reason he speaks of an "inherent social cost price":

"By this we understand *the inherent cost price plus an additional increment for the maintenance of the non-labouring sections of the population, plus a further increment for the realisation of social accumulation*. This is the solution in principle". (E. Varga: *Die wirtschaftspolitischen Probleme der proletarischen Diktatur*, p. 147). (Varga's emphasis).

This "solution in principle" does indeed appear an attractive proposition. Adopting Varga's "formula for inherent costs" into the overall theoretical scheme, one arrives at the following:

$$(P + C) + L + \text{GSU} + \text{ACC}$$

Unfortunately, however, Varga does not provide any information as to how the additional increments for the GSU establishments and accumulation are to be determined or in what magnitude they are to be brought into relation with the rest of the schematic. For that reason it is not possible to subject the formula to any further examination. Speaking in general terms, we can only observe here the difficulty arises as with Kautsky, and that for the realisation of these "formulae for inherent costs" a monstrous giant brain would be necessary such as would be needed for the drawing up of the well-known "world equation" enunciated by Laplace; expressed in plain terms, this is as much to say that these "inherent cost formulae" are complete nonsense. It is for this reason that it should not cause us any astonishment if the much-prized "solution in principle" was found to be incapable of any practical application in Hungary, and that the demands of reality imposed upon their situation something quite different. In practice, the theory of *inherent social costs* was pushed aside by a *price policy*, from which we can draw the conclusion that in this case also the category of inherent social costs was dethroned and shown to be useless.

It would appear that, in the end outcome, the economists have applied the term Socially Necessary Labour (SNL) over far too wide a sphere, and that they have also included in its summation all those general costs of administration, etc., (See K. Marx: *Critique of the Gotha Programme*), which do not properly belong in the sphere of production at all; or else, at the opposite extreme, they have focused their attention too exclusively upon the collective end product, with the result that all the myriad different production-times adhering to hundreds of

different products have been irretrievably mixed together (cf. Kautsky). In this particular form the category of Socially Necessary Labour (SNL) is indeed quite useless. Nevertheless, all labours performed in both reproduction and distribution are socially necessary. They must therefore be reproduced. The only possible solution is for each economic group to produce independently, whereby the entire SNL is reproduced.

We see, then, that the category SNL can find application only in respect of real use-value producing labour, and not in any administrative-accounting function. Reproduction of SNL is thus based upon and reflects the reproduction of each productive operation in the economy, and for that reason it is not the category SNL at all which is applicable to each separate work activity or particular division of the labour process; on the contrary, the decisive category applicable to each separate activity is that of Average Social Reproduction Time (ASRT). This is amenable to application in its widest sense by all "producers" and it is in this way that the problem of average social labour-time simultaneously finds its solution.

## 2. PRODUCTION TIME AND REPRODUCTION TIME

We must now subject to further examination exactly why it is that reproduction time is applicable here and not production time; furthermore, we must also clarify to what extent these terms are synonymous and to what extent they are opposites.

To do this we must recall our original stipulation that each separate productive establishment must calculate the production time required for its product by application of the formula  $(p + c) + L$ ; that is to say, it establishes how many hours of average social labour are contained in that particular product. Our outline then went on to show how Average Social Production Time was computed from the totality of all productive establishments joined in a single production group or "guild". The method according to which this computation is carried out ensures the simultaneous reproduction of the entire production group, and for this reason, in place of Average Social *Production* Time, we name

this the Average Social *Reproduction* Time. In this way the two in fact coincide. The difference between the *production* times of the separate (industrial) establishments and Average Social *Reproduction* Time is subsumed within *the Productivity Factor*.

### 3. DEPRECIATION OF THE MEANS OF PRODUCTION

It is an unwritten law for capitalist concerns that they must promote productivity to the maximum, since otherwise they will be pushed out of the market. For this reason they must strive to keep the wages of the workers as low as possible and to employ always the most productive machinery. Thus it often occurs that machines still capable of useful productive employment are scrapped. This, of course, represents a colossal waste of productive resources, and is characteristic of the capitalist mode of production. Seen from a strictly economic point of view, such an occurrence would mean that, in the case of a productive establishment equipped with obsolete means of production, production time would lie above the social average; or that, conversely, since the founding of the particular capitalist establishment in question, average social production time in that particular sector of the industrial economy had fallen due to rising average social productivity, and so had led to a relative increase in the production time applicable to the above obsolete establishment.

It is of course a conscious aim of the communist mode of production to reduce Average Social Production Time continuously. This has as its consequence a general fall in reproduction times. Expressed in capitalist terms, this is as much as to say that, at any given moment, means of production in the separate productive establishments have become *obsolete*. We must, therefore, now examine how this tendency expresses itself in a communist economy.

Let us take, for example, an industrial establishment in which the fixed means of production have been calculated at 100,000 labour-hours; let us assume further that these instruments of production are depreciated over a period of 10 years. In such a case 10,000 labour-hours per annum must be estimated as having to be taken into account in the product. However, should the average social

reproduction time (asrt) of the means of production fall, the result of this would be that the establishment would be able, in its reproduction, to procure either the same quantity of machines of a better quality or a greater quantity of machines of the same quality - that is to say, the productivity of the establishment would have been raised. Expressed in other terms, this would mean that accumulation, or an extension of the production apparatus, would have taken place without the deployment of an extra outlay of labour.

For this establishment, a fall in the ASRT applicable to its means of production leads to a change in its production time and thereby also to its Productivity Factor. This is so for the simple reason that, in the final analysis, the ASRT must be included in the total calculation. The Average Social Production Time (ASPT) of the entire production group thus remains identical with the ASRT, for the simple reason that the means of production, seen as a statistical average, are used up and "flow through" the establishments as an uninterrupted stream. At any one moment this particular establishment will be modernised and renewed, at another moment another one, and so on. The lowest social reproduction times will thus, at any given moment, be continuously taken up by and reflected in the production process.

ASRT is therefore the decisive category for communist production. Just as, in the case of the capitalist economic system, the category Value (necessary and surplus value) stands at the centre of the entire economy, in the economic life of a communist society it is the category *Average Social Reproduction Time* which is the focal point around which everything revolves.

The foundation of ASRT is the *average social hour of labour*. It is, of course, true that this category also has some validity under capitalism. Here, however, the separate and peculiar characteristics of individual use-values can find no expression in their form as commodities, since in the market the product is exchanged for money, that is to say changed into that universal commodity which eliminates all individual characteristics. Under communism it is ASRT which subsumes within itself all individual characteristics, those of slower and more relaxed workers, those who are more capable or less capable, those who labour either by hand or by brain. Average Social Reproduction Time is thus a category which, as a thing-in-itself, as a specific parameter, has no material

existence and like the laws of nature, which express only the general within which all specific phenomena reside, the Average Social Hour of Labour, which at the concrete level does not exist, expresses the general which is subsumed within the infinite many-sidedness of the social metamorphosis of materials.

# THE ECONOMIC POWER OF THE PROLETARIAT AND THE SYSTEM OF GENERAL ACCOUNTING CONTROL

The economic control of the proletariat - what a dreaded spectre this conjures up for so many brave petit-bourgeois - and even for large numbers of the proletariat itself! They forget that the capitalist class exercises its power with the most brutal ruthlessness. History, however, does not revolve around the terrors of the petit-bourgeois, it was and remains a history of class struggles, and for this reason the proletarian class, whose very well-springs of meaningful life are continually threatened, will be compelled to raise itself up against the dictatorship of capital in order that it might establish its own social order, the order of labour, against the resistance of all bourgeois elements. The decisive force necessary for this act must from necessity proceed from the masses of workers who are concentrated in large and middle industry. It is they who will seize hold of the civil power in society, and it is also they to whom will fall the task of laying down the new order which the rest of society, the non-proletarian elements, will have to follow. This cannot be made effective by means of decrees or, still less, with the tip of the bayonet, but must be made reality through the organised activity of the broadest masses of the workers.

The course of revolutionary events in Western Europe will be such that the proletariat takes possession of the factories and other productive establishments and declares them to be social property. In this way the State itself is progressively undermined and finally destroyed. Having achieved this, however, the workers will then have to decide whether they will follow the Russian example and, bowing to the influence of long-established social-democratic doctrines, help to set up a new apparatus of oppression exercised through the State, which will thereafter function as the manager and administrator of

production; or, on the other hand, if a communist consciousness among the workers is so strong as to make revolutionary action both possible and necessary, to take the factories and industrial elements forcibly under their own administration, using for this purpose the factory organisations or Councils as the essential organs of their power. Should the latter course occur, then this will only be possible if the principles of communist economy, as sketched in this book, come to form the foundation of the system of social production. By this means the most important part of the total social product will be taken outside the scope of free uncontrolled circulation within the orbit of the market. The lesser remaining part of social production, that of small peasant agriculture, will then be persuaded by the objective conditions themselves to associate itself with collectively organised industry. In this way there would come into being the "economic dictatorship of the proletariat", the strongest weapon of the victorious working-class.

It can be readily perceived that the carrying through of the social revolution in the sphere of the economy is a task which to a considerable extent falls to the system of general social book-keeping. The new economic laws which would then have validity make the fulfilment of this task possible.

Communist industrial life knows nothing of the circulation of money and has no market. It administers the stream of recorded exchanges by means of the office of social book-keeping (Giro-Centre). By this means all those producers who are not associated with the office of social book-keeping are brought into a situation of negative persuasion. They are unable to procure any raw materials and means of production for their establishments. Should they wish those establishments to continue in industrial activity, then the circulation of their manufactured goods must take place through the exchange control (Giro Centre) established by the OSB. They must subordinate themselves to and participate in the general system of social production and must place that production under the discipline of the general system of control implemented through the prescribed formula  $(p + c) + L$ , the instrument through which their production is placed under social control.

By this means socially scattered and fragmented small-scale industry is compelled by purely economic means to bring its production into line with the general

proletarian order. The necessary consequence of this will be that industrial establishments of a similar scale and size will. join together in production groups. If for no other reason, this will be necessary in order that the various Average Social Production Times (ASPT's) and the respective Productivity Factors associated with them may be determined, as well as for reasons relating to the planned procurement of materials, etc. *This method of group cartelisation, however, need not deprive the small industrial or agricultural establishments in any way of their right to self-administration;* on the contrary, practice will show that the organisation of production by the producers themselves will develop in an exemplary way in this sphere also.

It is by this means that the Association of Free and Equal Producers exercises its economic might. It rejects all recognition of the right to exploitation, and excludes from its society each and every element which does not recognise this first principle of communism. Small-scale production, however, is compelled to join itself to the communist system of production. Nevertheless, it is directly by means of this joining that the proletarian economic might transforms itself into its opposite. So soon as the producers themselves take the reigns of management and administration of their industrial establishments into their own hands and place production under social control, by that very act the 'dictatorship' has abolished itself and all producers have become equal members within the great community of their Association.

## Chapter 14

# THE AGRARIAN QUESTION AND THE PEASANTS

### I. DEVELOPMENT TOWARDS COMMODITY PRODUCTION

It is a well-known principle that every new society is born within the womb of the old. In the course of its tempestuous development, the capitalist system has brought into being an ever more powerful and concentrated productive apparatus, in the course of which on the one hand the numbers of bourgeois proprietors of industry, in whose hands control over that apparatus is concentrated, becomes ever more restricted; whilst, on the other hand, the army of the proletarians grows continually to an unheard of degree. This development simultaneously creates the conditions which ultimately lead to the fall of capitalism. The necessary precondition for this unrelenting growth in the numerical size of the proletariat is an ever more intensive concomitant rate of exploitation, whilst at the same time the general insecurity of material existence keeps equal pace with this. (See K. Marx: *Wage Labour & Capital*). Under these conditions there remains for the proletariat to an ever increasing degree only one solution: communism.

However, if we observe along side this development in industry that simultaneously taking place in agriculture, then we perceive a completely different picture. In spite of all the prophecies that the same degree of concentration would also become a feature of the agricultural economy, and that the small and middle peasants would to an increasing degree be ruined and destroyed by large agrarian consortia, in reality little has been seen of such a development. Not only the middle peasants but even the small ones have managed to hold their ground, whilst nothing has been seen of any developments similar to those depicted above. In fact, the very opposite has been

the case; recent decades have actually witnessed a significant increase in the numbers of small-scale holdings in agriculture.

The course taken by agricultural development has brought a big disappointment for the theoreticians of State communism. Whilst, in industry, the labour process has acquired an ever more pronounced social character, the agricultural economy has, in their opinion, remained isolated and backward. Whilst in industry the productive establishments have become ever more "mature" for communism, as they perceive it, in the agricultural sector of the economy production relations have simply refused to become "mature" in preparation for central State administration.

In the eyes of the State communists, agriculture for this reason is and remains an active barrier to the establishment of a communist society. Our opinion, on the contrary, is that capitalism is creating the conditions for communism in the most thoroughgoing way, in agriculture as well as in the rest of the economy. It all depends upon where one's vantage point lies: whether one envisages placing the responsibility for the administration of agricultural production in the hands of a central government office, or whether one understands that it will be carried out by the producers themselves.

To begin with, it is necessary to examine present-day agriculture very carefully. There is no doubt that here we do not find the same colossal concentration of production as it has been observed to be the case in industry. However, in spite of this fact, agricultural cultivation has become capitalist through and through.

Commodity production is the characteristic hallmark of the capitalist mode of production. Commodities are use-values which the producer, given the conditions of private ownership of the means of production, does not produce for his own use but for the use of others. The producer of commodities creates precisely those articles which he himself does not require and he consumes precisely those which he himself has not produced. It is in the market that the general exchange of commodities takes place. Insofar as the producer of commodities has not produced for his own use but for that of society, his labour is social labour. In the great social process of exchange, all commodity producers

are bound together, they live in complete mutual dependence and thus form an integral whole.

For the peasant economy of bygone ages, however, the production of commodities was only a subsidiary activity. The isolated domestic economy of the peasant satisfied virtually his entire requirements from within its own resources. The peasant laboured for his own family circle. His production was not socially interdependent. So long as he was able to obtain the tools necessary for his production from his own labour, the circle of his productivity extended no further than the narrow limits of his farmyard. Only that which was not required for his own use, his surplus production, was destined for the market, whereby those products then acquired the character of commodities. The peasant economy thus formed no part of general social labour, and this also provides the explanation for the independent conditions of existence typical of the peasantry.

Commodity production on an industrial scale has broken up these isolated economic conditions. Whereas on the one hand capitalism has scattered a plethora of cheap products over the entire land, on the other hand the development of capitalism has had the effect of raising the average level of agricultural rent, whilst simultaneously the State has demanded ever higher taxes. It forms no part of our task here to pursue the course through which the destruction of the isolated peasant economy has been carried out (see Rosa Luxemburg: *The Accumulation of Capital*). Here we need take note only of the result, which has become ever clearer for all to see: *the peasant has found himself in need of more and more money-capital in order to be able to discharge his economic obligations*. He can, however, obtain such money-capital only by motivating himself as a commodity producer, by bringing more and more products to the market. To achieve this aim, two methods were open to him: either it was necessary for him to consume less whilst productivity remained static; or else he was compelled to raise the productivity of his labour. To whittle down his consumption, like a peasant of the old stamp, proved to be an impossibility. Thus an increase in productivity presented itself to be the sole solution.

It was at this point that the economists began to go astray on their speculations for the future. They assumed the same course of development for the agricultural economy as had occurred in industry. In industry, an ever higher level of productivity was reached by means of the amalgamation of many capitals, by means of ever more modern and more productive machinery which could only find application in huge establishments. They believed that the same processes of concentration would of necessity take place in agriculture. According to this vision, the small and middle peasants were destined in the main to disappear, whilst the decisive role in the agricultural economy would devolve upon vast agrarian combines.

In this respect, then, our economists have erred. An understandable error perhaps, because they were able to base their forecasts only upon the known possibilities. What is especially noteworthy, however, is that it was industrial development itself, which in their scheme of things was destined to bring about economic concentration in the agricultural economy, which in fact prepared the ground for the completely different course taken by agrarian development. The chief instruments responsible for raising the productivity of agricultural production to such a significant degree were in particular *the motor vehicle, artificial fertilisers and the application of agrarian science*. As a result of modern fertilisation methods the inherent fertility of the land began to play a subordinate role, the yield per hectare grew enormously, by which means the peasant was enabled to deliver a much greater volume of commodities to the market than previously, whilst at the same time modern methods of communication provided the general means of transport. Simultaneous with the increase of the yield per hectare another factor of tremendous significance began to play a role. As soon as production has been placed on a scientific foundation, the phenomenon of specialisation makes its appearance as a compelling imperative. "The specialist, as a cave-dweller, perceives only a tiny ray of light in the entire universe, but that one ray he sees extremely clearly", says Multatuli, somewhere or other. Thus we see that the peasant arranges his affairs in such a way that he supplies only one particular product, but in that narrow field he achieves the very highest level of productivity of which modern science and his own financial resources are capable. He organises his production on the basis of this narrow specialisation, that is to say, he procures just those tools and equipment which he needs for that specific product.

The above describes the situation over a large part of Western Europe. The characteristics described above are seen in their most pronounced form in Holland and Denmark, whilst France, England and Germany follow closely behind in the move towards specialisation. In the case of livestock rearing and vegetable farming in the immediate environs of the larger cities, the transition to this type of agriculture has been carried through to completion in the above countries. The peasant, or farmer, has therewith become a commodity producer in the fullest sense of the word. *He no longer brings merely his surplus product to the market, but his whole output.* He produces that which he himself does not require, and he consumes precisely those products which he himself has not created. Thus he labours not for himself, but for others, for society, and with the completion of that process his labour has become fully integrated with social labour in general. The closed domestic economy has been destroyed by specialisation, and the agrarian economy has been transformed into a sector of *industrial production*.

Even if the peasant has remained to some extent the owner of his own small piece of land, his general economic situation has, along with this, deteriorated to an enormous degree. Nevertheless, under favourable market conditions he can still make profitable transactions. The difference is that he is now totally dependent upon the fluctuations of the market. Furthermore, he is now highly vulnerable to the vagaries of nature, and poor weather conditions in one year or disease in a particular crop in the next, or any one among many factors outside his control, can ruin him completely.

These uncertainties of economic experience may indeed also apply to the sphere of industrial production - with this important difference, however: that the latter is not so strongly dependent upon natural conditions. In the case of industry, productivity was increased to such a degree that accelerated accumulation was made possible through the application of ever more productive machinery, the final outcome of which was a process of concentration of industrial holdings. In the case of agriculture, however, increases in productivity held for the peasant a totally different significance, one which nevertheless was also dependent on the level of technology in combination with the specific production conditions in the individual farm enterprises. In the case of agriculture, accumulation was

made possible through the availability of artificial fertilisers, motor vehicles and tractors and the organisation of production around a specialised product.

Hand in hand with the above developments a further phenomenon made its appearance. In order to achieve as strong a position in the market as possible, the peasants combined into peasant cooperatives, by which means they were enabled to exert a closer control over price policy and so were able by collective means to procure improved machinery for soil preparation and harvesting. Thus livestock farmers, for instance, were able to establish for themselves dairy farms, which became the means by which this industry was directly integrated with that of livestock rearing. As a result, dairy farming has now become the focal centre dominating a wide circle of subordinate forms of production. In this way the farmers have created an organ which indissolubly binds them all together. By these means not only arable farming and livestock rearing, but also horticulture have become strongly concentrated, whilst at the same time there can be no question of any amalgamation of enterprises in the industrial sense of the word having taken place.

In summarising the above, it must be observed that contemporary agriculture is characterised by a strong degree of specialisation and has also developed into the stage of full commodity production for the market. Increases in production were made possible by modern technology, without however bringing about any equivalent and simultaneous degree of concentration in the ownership of enterprises. A parallel development has been the growth of peasant cooperatives, which link the various separate farming enterprises together by creating areas of common economic interest. At the same time, this leads to a loss of independence on the part of the peasants (for instance, the frequent loss of the right to dispose as they wish of their product).

## Chapter 15

# THE PEASANTS AND THE REVOLUTION

The course of development sketched out above has prevented the formation of a numerous agrarian proletariat. Even if this proletariat is much larger numerically than the number of peasant proprietors, it is nevertheless a very long way from reaching the relatively overwhelming proportional size represented by the masses of the industrial proletariat in relation to the bourgeoisie. A further factor to be noted is that class contradictions in the countryside do not assume so sharp or prominent a form, precisely because the small and middle peasant works alongside the other members of his family. Whereas in the cities, forms of ownership have led to pure parasitism, in the case of small and middle peasant enterprise this is not the case. For all these reasons the prospect of a proletarian revolution in the countryside is beset by much more difficult problems than its counterpart in the cities. Nevertheless, a closer examination reveals that the perspective's are by no means as hopeless as they appear at first glance. It goes without saying that there is in the countryside a relatively large number of peasant owners, but these latter know perfectly well at bottom their status is not much more than that of agents of bank capital, whilst at the same time the burden of economic insecurity weighs very heavily upon them. On the other hand, it is undoubtedly true that the peasant proprietor will never be in the vanguard of the struggle for communism. The economic position which he holds, however, compels him to link up with those social groups which at any given moment are dominant in the economy. The precondition for this is, nevertheless, that he is not driven from his house and farmyard, and that he is not excluded from management and administration of his productive resources. The proletarian revolution can have no truck with rent or mortgage debts, since only the Average Social Reproduction Time (ASRT) of the products forms the basis of all economic relations, and to this extent at least the peasant question

takes on a form which, as far as the Association of Free and Equal Producers is concerned, is perhaps not as anomalous as in the relationship of the so-called "mature" industrial establishments towards communism.

The fact that the peasant has become a commodity or market producer is a matter of the very greatest significance for the revolution, and the so-called "fear of the peasant" can to a great extent be attributed to the fact that the real position of the contemporary peasant has to a large extent been misunderstood. For instance, reference is often made to the fact that the proletariat is dependent upon the peasantry for its food supplies, and that, for that reason, it would be unwise to adopt too openly pronounced socio-economic measures against them.

These fears, however, rest upon an estimation of the situation in the agrarian economy which derives from a period now past. The question tends to be understood in such a way as to suggest that the peasant is still the peasant of earlier times and not the developed market producer that he is today, who brings to market not only the surplus output yielded by his isolated domestic economy but the whole of his product. In present day society the proletariat is no longer dependent upon the peasantry; indeed, the opposite is more the case. Should the peasants fail to deliver their product to the proletariat, then they themselves become as much a victim of hunger as the proletariat does, however paradoxical this may seem. In the final outcome, the peasant is compelled to sell his product, for the simple reason that *he only produces that which he himself does not require and is compelled to consume that which he does not produce.*

One often hears the observation that the peasant would rather feed his product to the animals than sell it under conditions of compulsion. This also represents a misunderstanding, one which rests upon an obsolete view reflecting the old isolated domestic peasant economy. Apart from auxiliary adjuncts, the livestock peasant possesses nothing but livestock, whilst the arable farmer possesses grain but no livestock, the chicken farmer several hundreds of chickens but no livestock, the vegetable farmer only a definite number of varieties of vegetables, and so on. *They are all specialists.*

In addition to the above, one often hears the fear expressed that, in the event of a revolutionary social transformation, the peasant would refuse to continue to

cultivate his land; in other words, that he would attempt to return to the isolated domestic economy of earlier historical periods. But this path also is one that is closed to him. Even the most ingenious peasant is hardly so resourceful as to be able to move backwards 100 years and produce with his own labour everything that he needs. He cannot do this because he disposes neither of the necessary skills nor the tools required. Once the process of the socialisation of labour has been completed, no one section of the community is able to withdraw from it. Any movement backwards becomes impossible. From whatever direction one may view the matter, *the peasantry forms a part of the crew manning the ship of society, and will sink or sail with it.*

## Chapter 16

# THE AGRARIAN REVOLUTION IN RUSSIA AND HUNGARY

### I. RUSSIA

The solution to the agrarian problem adopted in Russia holds little relevance for the development of the agrarian revolution in Western Europe. Agriculture there was still at the pre-capitalist stage of relations, typified by the large landed estates, frequently combined with a self-sufficient domestic economy. It was for this reason that, in Russia, the capitalist slogan "All land to the peasants!" meant the realisation of freedom and equality ... just as it had meant the same thing to the French peasants when they had won those rights in 1789. For them, their significance consisted in the fact that they obtained for themselves a piece of private land, on which they could live in whatever way they wished. The right demanded by the Russian peasant was that of making his appearance on the social stage as a capitalist, as the simultaneous alienator of commodities and beneficiary of production. This, of course, was also the reason why he soon began to agitate against the Soviet government and thereby won for himself full freedom of internal trade.

Therewith began in Russia that capitalist development of agriculture which we here in Western Europe have long since passed. The Russians refer with exaggerated gestures to what they call the growth of communism on the land. By this they mean that the peasants have combined into cooperatives in order to make effective use for themselves of the advantages of modern technology, a common price policy and a collective machinery for bulk purchase and marketing. By these means the Russian peasant, following exactly the path taken

by his class comrades in Western Europe, is motivated by the necessity of winning for himself a strong position in the market, in order thereby to attain the highest possible profit. We can see from all this that the agricultural "communism" proclaimed with such a flourish by the Bolsheviki is in fact far further advanced in Western Europe than it is in Russia.

It is therefore no cause for wonder that we can find little of value to learn from the Russians in the question of agrarian economic relations in the communist sense. There is, of course, no question there of any agricultural organisation being entrusted with its own management and administration, if for no other reason than that all property in means of production is still privately owned.

## 2. HUNGARY

Soviet Hungary offers a totally different picture of the course of development taken by the revolution. Here, small-scale landed property was left untouched, whilst the large and middle holdings were disappropriated by decree without, however, any distribution of the land to the peasants being carried into effect. Matters could take this turn in Hungary because there the peasants were as innocent of any active role in the revolution as newborn babes. Varga describes this as follows:

"In Hungary there was no revolution in the proper sense of the word. Power fell into the lap of the proletarians, so to speak, legally and more or less overnight. In the countryside there was no more than a minuscule revolutionary movement, but on the other hand also no armed resistance. For this reason it was possible to carry out a *legal* disappropriation of holdings without any opposition, and the large landed estates were retained intact. ... We emphasise the word *legal*, since it must be openly admitted that, in the majority of cases, disappropriation was carried out by purely legal means, and that in many cases this brought about so little social change that the population in the countryside often possessed no clear understanding that disappropriation had taken place at all ... In those cases in what the former estate owner remained in command of the

disappropriated estate as a state-employed manager, for the time being at least no change whatever took place. The former estate owner remained in the same superior dwelling, drove with the same coach-and-four, permitted himself to be addressed as before as 'Sir'. The whole consisted merely in the fact that he no longer possessed the power of his former property as he wished without let or hindrance, but was compelled to follow the directives of the estate administration. Of this, the agricultural worker noticed very little; the sole significance the revolution held for him was that he was now in receipt of a much higher income than before." (E. Varga: *Die wirtschaftspolitischen Probleme der proletarischen Diktatur*, p. 103).

However, matters did not take the same course everywhere. Some of the large landed estates were declared to be productive associations, in which there was a semblance of management and administration having apparently been placed in the hands of the workers.

"The separate estates were formed into production cooperatives. The cooperatives of a given district were combined under a common district management. All such production cooperatives were combined to form the 'Provincial Management Centre of the Agricultural Production Cooperatives', which then came directly under the control of the Department for Arable Cultivation of the Supreme Economic Council. This particular form of production cooperative was chosen on account of the social backwardness of the agricultural workers. Had we declared the large estates to be simply state property, the wage demands of the workers would have been limitless, whilst the intensity of labour would have fallen to a minimum. By adopting this method, however, the possibility of exerting pressure for a certain level of labour discipline and intensity was obtained, on the grounds the net yield of the estate accrues to the workers themselves. Another result of adopting this method was that the demands of the agricultural workers that legal title of the land should become their own personal property was satisfied to some degree. ... These concessions possessed little significance in practice, since the accounting procedures (book-keeping) were held under central administration. The intention, of course, was that, after a period sufficient for the educational enlightenment of the workers had passed, the disappropriated landed estates would be

openly declared to be state property and the workers to be state employees, with exactly the same status as the industrial workers". (E. Varga: *ibid*, p. 105).

### 3. THE RESULT

Such a statement criticises itself! Varga states quite openly: "Give the workers no more than the appearance that production is being managed and administered by themselves. In reality this has little significance, since we dispose of the central machinery of administration, and it is this central administration which determines, by means of price policy, just what the net income of the workers shall be". All this offers a clear demonstration of how necessary it is that the relationship of the producers to the social product be determined *in the objective production process itself*, so as to ensure that a new form of class rule cannot arise behind the mask of democracy.

No purpose is served by discussing in detail the particular features of the agricultural economy in Soviet Hungary. The sole conclusion which it is appropriate to draw is that the examples of "communist" production provided by both Russia and Hungary yield a discouraging picture. In the case of Russia, the peasants acted in a purely capitalistic way. "The peasants distributed the land and carried off the agricultural means of production, whereby it was not the poorest but the most prosperous peasants who received the largest share" (Varga, page 103). In the case of Hungary, they did not act at all, which means that up to the present we have no example of how an agrarian proletariat and the small and middle peasants might behave towards a proletarian revolution under West European conditions. Which ideology would become the predominant one in that case? Would they also participate in the revolution in an organised way, and if so in what form? We do not know. The only course open to us is to examine the attitude they adopted towards the proletarian revolutions of 1918-1923.

## Chapter 17

# THE AGRARIAN PROLETARIAT AND THE SMALL AND MIDDLE PEASANTS IN THE GERMAN REVOLUTION

### I. THE STRUGGLE BEGINS

When, in November 1918, imperial rule collapsed in Germany, this was not at its inception the result of the revolutionary activity of the working masses. The front had been pierced, the soldiers were deserting in their thousands. In this situation, the sea-lords of the German navy conceived the idea of a last great show of strength, to take the form of a desperate battle on the North Sea. The sailors believed, rightly or wrongly, that they would all find their deaths in this battle, and on the warships this then provoked desertions on a mass scale. Having once taken this course, the sailors were compelled to pursue it to the bitter end, because otherwise the crews which had mutinied, together with their ships, would have been shot to pieces by the "loyal" troops. For this reason they struck the red flag, and this became the signal for a general uprising of the sailors. With this the decisive action had been taken; the die was cast, and the sailors were forced to continue the struggle they had started. With an iron logic of its own, one action led to another. In this way they marched on Hamburg, in order to appeal for help from the workers there. How would they be received? Would they be repulsed?

Approaching Hamburg, there was no question of any resistance being offered to the revolutionary sailors. In their hundreds of thousands workers declared themselves in solidarity with them, whereupon all revolutionary activity found

its expression in the Councils of Workers, Soldiers and Sailors, and the triumphal march of the German Revolution began to move throughout the whole of Germany. And here a peculiar feature of this revolutionary development began to make itself manifest: although the military censorship had controlled all reports concerning the Russian Revolution since 1917, and although for that reason absolutely no propaganda had been made on behalf of the Council concept, indeed in spite of the fact that the council structure of the Russian workers was completely unknown to the German workers, within a period of a few days an entire network of Workers' Councils had sprung up all over Germany!

## 2. THE REVOLUTION SPREADS

The civil war which now followed took place under the banner of socialism. On the one side stood Social Democracy, which embraced the cause of socialism. It understood this as a simple continuation of the process of concentration characteristic of capitalism, and which found its culmination in the *legal nationalisation* of large scale industry. Given such a movement, it was inevitable that the council movement, as the embodiment of the self-activity of the working masses, would be seen by Social Democracy as a threat which had to be destroyed. On the other side was newly-born communism, which conceived of the conversion of private property in means of production into socialised property as being attainable only by illegal means, that is to say as being embedded in the self-activity of the working masses themselves. The aim was the same, but the path leading to it a totally different one.

Although the occupation of the factories by the proletariat was in general carried through during the whole of this revolutionary period, nowhere did this come to an "appropriation in the name of society". The factories continued to be administered and managed by the old proprietors, they still remained *their property*, even if here and there this took place under the effective control of the workers.

### 3. THE STALEMATE

That the revolution did not develop any further can be attributed in the main to the fact that the revolutionary section of the proletariat needed all its strength merely to maintain its position over and against the mounting counter-revolution. This, under the leadership of Social Democracy, was concerned to prevent the onset of "social chaos" and the resort to autonomous ("wildcat") nationalisation. For this reason the proletarian revolution was extremely weak. Many social groups were subdued by the revolution and compelled to choose, for good or for evil, the side of the victors of the moment, whichever side that might be. Nevertheless, in the end they were all driven into the arms of the counter-revolution, since the proletariat was still divided within itself and preoccupied with its own problems.

Although this is not the proper place to sketch out in full the course of the revolutionary civil war in Germany, it is necessary for us to devote some attention to a brief examination of this subject, because the attitude adopted by the agrarian proletariat and the small and middle peasants towards the revolution stands in close connection with that process and the entire course taken by the revolution.

### 4. THE ROLE OF THE PEASANTS

The first characteristic to be noted here is that the peasantry did not constitute a strategic factor of any significance in the revolutionary process. They were, for instance, unable to develop their own independent organisations capable of playing an independent role. They also failed to form their own independent Councils, except in Bavaria. In that latter case, the peasants were forced to adopt a position which caused the same phenomenon to make its appearance where as in the case of the proletariat: they failed to assert themselves as a united force. A section of the peasantry chose the side of the revolution, the other section opposed it. Unfortunately we do not have at our disposal any data concerning the social characteristics of those formations which took up their position on the

side of the revolution, nor of any accurate numerical estimation of the forces concerned.

With the exception of Bavaria, the peasantry barely played any role in the revolution. There was no question of their giving any direct support, and the general mood was clearly apathetic. The slogan: "All Land to the Peasants" clearly held no significance here, because small and middle-scale farming industry was decisively predominant. Whilst it may have sufficed for the peasant, given a backward situation in agriculture similar to that in Russia, to be given a strip of land as his private property, the modern economic conditions of Western Europe caused him to put forward quite different demands. Apart from a holding in land, appreciable capital resources in the form of means of production and raw materials were also necessary in order that the average social level of productivity typical of industry and the economy generally might be attained in agriculture also. Should those levels not be attained, the holdings fail to achieve profitability and so are unable to maintain themselves. In the conditions of a highly developed agriculture, the same slogan which in Russia was capable of releasing such colossal social forces, here, made no sense at all for the small peasants.

However, there still exists in Germany extensive territories in which large-scale estate ownership is predominant. This then poses the question as to the extent to which the agrarian proletariat here showed any desire or tendency to follow the Russian example of carrying through land distribution. In this connection it must be said quite baldly: nothing of the kind made itself apparent. The production relations characteristic of large-scale land ownership in Germany effectively prevented the emergence of any such tendencies. If, in the case of a backward agrarian economy, the idea-world of the poor peasant starved of land naturally revolves around a forcible distribution of the large estates, by the same token, given scientific methods of farming as implemented on the large German estates, characterised as they were by a high degree of specialisation, the only ideology capable in such conditions of independent development and of expressing itself as an independent social force was and could only be that of common ownership with communal methods of operation.

On the other hand, an objection which could with some validity be raised against this view is that a given technical level of development does not always or necessarily express itself as the dominant factor in the ideology of the landed population, because the force of tradition always plays an important part in the latter's motivations. Nevertheless, the profound interconnection between production relations and ideology can be clearly perceived as lying at the root of the problem as we have portrayed it.

In the case of large-scale land ownership in Germany, organised production is organised as an industry, since it is laid out on the basis of modern science and technique. The large arable fields are worked with modern machinery, grain is stored in large silos and processed by machinery. In the cattle farming areas, the grazing meadows are of extensive size and equipped with milking sheds capable of housing hundreds of cows, whilst on-the-spot dairies exist for the preparation of the milk. The potato fields in the north of the country are exclusively organised for specialisation in this form of agriculture, and the distilleries are directly connected to them. In the province of Saxony, where everything is specialised for the production of beet crops for the processing in the neighbouring sugar factories of Magdeburg, Aachen, etc., very similar conditions pertain. Under such conditions the slogan: "All Land to the Peasants!" can find no basis for support whatsoever in the sense of a distribution of land according to the Russian example. The agricultural workers would have no conception of what to do with such land. In the sphere of animal husbandry, they might be able to procure for themselves a piece of land and a couple of cows, but since their dwellings are not equipped as farms, they would be unable to pursue any cattle-rearing or dairy-farming operations there. In addition, there would be a complete absence of those farm implements necessary for the exploitation of their holdings. These conditions are valid throughout the whole area of the large landed estates of Germany, and, for all the reasons stated, we can conclude with certainty that a high level of development in agriculture precludes the validity of any measures for distributing the land.

The agricultural workers who work on such estates form the true agricultural proletariat. The perspective they face is the same as that confronting the industrial workers, that is to say, the prospect of the "appropriation of the whole of industry in the name of society". If the industrial proletariat was proved in

practice to be too weak to tackle seriously the revolutionary tasks associated with the achievement of communism, in the case of the agrarian proletariat matters did not develop even to the point at which those tasks could be posed. The agrarian production relations themselves ensure that thousands of proletarians are unable to acquire the necessary qualities of solidarity within a small occupational area, with the result that a common front of struggle can come into being only with the greatest difficulty. For this reason, the agricultural proletariat did not succeed in forming, or was barely able to form, its own Councils, and thus its role in the German revolution was barely of any significance.

On the other hand, the attitude adopted by the so-called semi-proletariat in the countryside is worthy of note. There exists in Germany a considerable industrial presence in the countryside, a phenomenon which is also making its appearance to an increasing extent in other countries. This may be attributed to the availability of cheap labour-power and to lower land prices and taxes. Since the labour force required is recruited from amongst the peasant population in the neighbouring territory, and these workers frequently work in their spare time on their fairly large holdings of land, they tend to take up an immediate position which we term that of a semi-proletariat. The type of agriculture pursued by them is that of the closed domestic economy. The role they play as a market force is insufficient to be of any overall economic significance.

The characteristic feature of which to take note at this point is that this semi-proletariat came to represent a force in the revolution which nothing could hold back or intimidate. Time after time they were in the vanguard of the movement; it was they who were in the fore during the uprising and marched to all the neighbouring cities in order to give the struggle a broader base. Thuringia is a typical example of this. Additionally, these workers fulfilled an exemplary role in the task of supplying the cities with essential foodstuffs. At the beginning of the revolution, when the Councils still held power, the peasantry tended to hoard these foodstuffs in order to screw the prices up as high as possible. In order to take measures against this, the Councils in the cities made contact with the Councils holding power in the neighbouring factories in the countryside, and the semi-proletarians, who were fully acquainted with the situation there, brought measures to bear to persuade the peasants to release their products against fixed prices. This, for instance, is what occurred in Hamburg and district.

Summarising the above, we can say that, in general, neither the German agrarian proletariat nor the German peasantry took part in any decisive way in the revolution. Even if, in the case of the agrarian proletariat, communist ideas were already present to some extent, they were nevertheless still extremely weakly developed and were unable to find any effective expression in revolutionary practice. This would seem to give substance to the view that, with the onset of a proletarian revolution, the peasantry in the main tends to adopt an attitude of "wait and see". The general stance they adopt will tend to be determined by the strength of the revolutionary forces, and also by the degree to which the large agricultural estates are or are not successfully integrated into the new-born and developing communist mode of production.

## Chapter 18

# THE PEASANTS AND THE WORKERS' COUNCILS

The proletarian revolution, which conceives of the establishment of communism not as nationalisation of the "mature" industrial establishments, but as the carrying through in practice of a principle according to which *all producers themselves take measures under their own initiative to integrate their labour with the communist system of production*, thereby simultaneously provides the basis for the incorporation of the whole of agriculture as a specific section of total production into the communist economic system. The single unifying principle underlying and making possible this economic integration resides in the creation and consolidation of *a unit of economic regulation and control* which registers the flow of products continually in motion within society. Such a unit is achieved through the determination of *the average social reproduction time* required by each product. Through the instrumentality of this system, *each productive establishment becomes an active cell in the growth of communism*, a cell in which the autonomous initiatives and self-activity of the proletariat can unfold and develop.

Once the power of the industrial proletariat has been irrevocably anchored in the Council system, than it cannot proceed in any other way than to extend the same organisational principle to the sphere of agriculture. In every economic system, production is operationally dependent upon the organisational integrity of the structure within which it moves and develops; however, exactly what form the Council system would assume in its application to agrarian production is another question which only the future can answer. Even though the general principles through which the Council system operates are the same for agriculture as for industry, there are nevertheless many particular situations which would dictate that this general system in particular cases assumes many

different and varied forms. Practice itself would, for instance, almost certainly bring to light the fact that proletarian consciousness would be much more fully and powerfully developed in the case of industrial workers than in that of the agricultural proletariat, whilst a further cause for a differing mode of application of the Council principle would lie in the different natural conditions of production prevailing between industry and agriculture.

However this may be, the decisive factor will be the cooperative organisation of the peasants into village communes, which in the last analysis will be nothing other than the outcome of combining together the productive organisations at present existing in the form of the various individual farmsteads. Of their own initiative, however, the peasants will not achieve this, so that, in addition to a very persuasive propaganda campaign, the economic control of the proletariat must ensure measures which guarantee such a development. These measures would ensure that such essential supplies such as agricultural implements, seed, artificial fertilisers, petroleum, etc., would be supplied only to those agricultural organisations which had taken the decisive step of combining into village communes. The firmer the industrial proletariat holds power, the more certain will be the eventual carrying through of autonomous organisation within the peasantry.

The peasants, then, have the responsibility, like the industrial workers, of computing, by application of the formula  $(p + c) + L$ , the Average Social Reproduction Time of their products. It is the capitalist system, which was responsible in the first place for transforming the peasants into commodity producers, which we must thank for the fact that this task is one eminently capable of fulfilment. The practicality of applying such a method of computation is, for instance, clearly demonstrated through the fact that, today, modern methods of cost accounting find as frequent application in agriculture as they do in industry (see J.S. King: *Cost Accounting Applied in Agriculture*).

Nevertheless, the fact remains that, in this matter, we are standing at the very threshold of a long development. When one considers, however, that this young science began life only in 1922, then one sees that it is a cause for amazement to observe how rapidly such general principles, valid in both the industrial and agricultural spheres of production, have established themselves. What this

proves above all else is that, in reality, the fundamental character of the two production spheres is the same, and that agricultural production has long since made the transition to industry. It is true that the weight of tradition still makes itself felt here as an inhibiting factor, but the disadvantageous financial situation prevailing in agriculture throughout most of Western Europe will undermine this influence very rapidly. Whoever comes into close contact with the peasants will know that in their case many of the old "truths" are rapidly being exposed as fantasy and new ones are being continually born in their place. Of course, this does not bear any relation to communist production, but it does find application in such measures as rationalisation, modern industrial management and the formation of cooperatives. As far as the communist mode of production is concerned, the significance of this lies in the fact that the objective conditions for a many-sided implementation of the system of average social reproduction time are developing very quickly.

There remains of course always an appreciable difference between industrial and agrarian production. In the main, these are due to the differing natural production conditions. For instance, the incidence of rainfall or drought, plant or animal diseases and so on,, play a role in agriculture, so that the productivity of agricultural establishments cannot be so exactly forecast and estimated as is possible in industry. Nevertheless, comparisons of productivity between the separate establishments are perfectly accountable (see again J.S. King: *Cost Accounting Applied in Agriculture*), and such comparisons are made even today. This indeed, has already become the acid test for rationalisation in farm establishments. As regards the question of methods for determining the various average social reproduction times, it is not our task to conjure up out of the tops of our heads methods which would explain how this task could be achieved in each separate case. One thing however is clear: the realisation of this category will lead to a complete reorganisation of the whole of the agricultural economy. In addition, a factor which will be seen as a natural necessity will be that the reproduction period, instead of extending over a period of production, will encompass as long a time-span as, for instance, as 10 years. It is the capriciousness of natural phenomena and the conditions this imposes which make this necessary, since the variations and fluctuations arising from such unpredictable factors are more readily averaged out over a longer period of time; in this way, when drawing up computations of Average Social Reproduction Time, it will be

necessary to overcome those fluctuations in production which unavoidably result from such changes in natural conditions. There would then remain only that spontaneous fall in average social reproduction times resulting from a progressively rising productivity.

# EPILOGUE

## 1. Marx's *Critique of the Gotha Programme*

It is now high time for the revolutionary proletariat finally to acquire a definite conception of the social order with which it intends to replace capitalism. It no longer suffices to push this task to one side with such facile remarks as that "the victorious working class will develop hitherto undreamed of powers, once it has struck off the fetters which at present bind it". For one thing, this is an extremely uncertain vision of the future. More to the point, it is in any case quite irrelevant. Indeed the opposite is true. Each day brings fresh evidence to prove that the capitalist economy is moving with giant strides along the path of concentration, and only those afflicted with blindness could fail to recognise that sooner or later it will find its highest and most complete form in the State. This then is the path of development by which the power of capital reaches its ultimate degree of concentration, and it functions simultaneously as the form of alliance binding together all sections of the ruling class, including the leadership levels of the old workers' organisations, against the proletariat. It is in this direction that the propaganda conducted on the broadest possible basis by Social Democracy and the trade unions on behalf of "economic democracy" - a propaganda which would be better described as the opening up of measures to enable the leaderships of the old workers' organisations to exercise a degree of control over the economy through the agency of the State - is aimed. The old workers' movement is unfolding its economic programme, its proposed planned economy, and its "socialism" thereby acquires form and structure; but what becomes amply clear along with these revelations is that the proposals put forward represent no more than *a continuation of wage-labour under a new guise*. And now it is also possible to declare with certainty that so-

called Russian State communism is no more than a somewhat more radical means of implementing this new form of wage-labour. We revolutionary proletarians therefore have no choice. Before the eyes of the broad masses of the working class a way forward for their actions and struggles is being presented which will allegedly lead then to socialism or communism, to their liberation. And it is these selfsame masses of workers whom we must win to our side, to whom we must show their own autonomous goal, for without whom there can be no revolution and no communism. And this in its turn we can only do when we ourselves have a clear conception of the mode of production and structure of the communist society for which we fight, and for which we are prepared to devote our lives.

There is however yet more to be said on this theme. Even bourgeois scientists have recognised the approaching catastrophe, and they are even now preparing the reconciliation of capital with the idea of a socialised economy. They recognise that the days of private economic management are numbered and that the time has come when thought should be devoted to the task of maintaining exploitation by means of new forms of socialised management. Characteristic of this tendency is a work by the bourgeois economist E. Horn: *The Economic Limits of the Socialised Economy*, in which the view is expressed that the abolition of private property in means of production does not necessarily entail the end of capitalist production. It is for this reason that, in the final analysis, the elimination of private property in means of production holds no fears for him at least, because according to his view the whole capitalist mode of production, together with its market mechanism and the process of surplus-value formation, must be maintained at all costs. For him the problem is not *whether* but *how* private property in means of production is to be made obsolete.

It is of course axiomatic for a bourgeois economist such as E. Horn to attempt to prove the impossibility of communism. The fact that he seeks to achieve this by reference to the theory of marginal utility developed by Böhm-Bawerk renders it unnecessary for us to examine this in any greater detail. In our opinion, N. Bukharin has

done everything that is necessary towards the refutation of this theory in the book *Die politische Oekonomie des Rentners (The Political Economy of the Rentier Class)*. But the manner in which Horn criticised the official theory of the communist economy is worthy of note. He describes this as an economic order with *negative characteristics*, because, in that official theory, communism is defined by what it is *not*, and never, in no single case, *according to the actual categories by means of which this economy will be ordered*. The characteristics of the communist economy are stated as being that it has *no market, no prices and no money*. In other words, everything is *negatively defined*.

The spontaneous activities of the workers in their role as producer-distributors will fill out the spaces left by this negative characterisation, replies Neurath; Hilferding for his part refers this task to the State commissars with their statistical apparatus governing production and consumption; as a final resort, refuge is sought in fulsome references to "the creative energies of the victorious proletariat", which will solve problems "at the flick of a wrist...". Here we have reached the fitting point at which to recall the old adage: "When concepts fail to correspond with reality, at the critical moment the imagination supplies the appropriate word".

It may at first glance appear surprising that the so-called marxist economists have paid so little attention to the categories of communist economy, in spite of the fact that Marx himself has set down his views concerning this in a more or less complete, even if extremely condensed, form in his *Critique of the Gotha Programme*. Only, however, at first glance. The "disciples" of Marx did not know what to make of his grandiose vision, because they believed that they had made the discovery that the basic preconditions for the administration and management of the communist economy would develop along lines so completely different from those conceived by Marx. His "Association of Free and Equal Producers" was transformed in their hands into "State nationalisation", for did not the very process of capital concentration organic to the capitalist economy lead with absolute certainty to this end? However, the

revolutionary years 1917-23 revealed for all to see the forms through which the proletariat seizes control of the means of production, and the Russian Revolution proved that two opposite perspectives lay at the heart of the revolutionary development there: either the Workers' Councils succeed in maintaining their power in society, or that power falls into the hands of the centralised economic organs of the State. Thus the broad lines of development of the communist society as set forth by Marx have once again proved themselves to be correct.

Concerning the *Critique of the Gotha Programme*, the following information is relevant: in the year 1875, measures were set in motion to bring about a fusion of the General Workers' Union of Germany, which as a general rule followed the doctrines propagated by Ferdinand Lassalle, with the Social Democratic Workers' Party of Germany, for which purpose a draft of the Programme to be presented for adoption at the Unity Congress, to be held at the small Thuringian town of Gotha, was drawn up. Both Marx and Engels subjected this draft to an annihilating criticism. Marx expressed his criticism in a letter to Brake, and subsequently named this manuscript *Marginal Notes on the Coalition Programme*. It was only after 1891 that this criticism became more widely known, and this happened when Engels was instrumental in bringing about its publication in *Neue Zeit (New Times)*, Vol 9, pp. 561-575. For many years, nothing more was heard about the matter until in 1920, again in 1922 and then in 1928, new editions of this text were published (all relevant dates have been taken from *Program-Kritiken (Critical Notes on the Programme)*, or, as it is better known in English, the *Critique of the Gotha Programme*. In fact, these "Marginal Notes" only came to our notice *after* we had concluded our study. They correspond so closely with the outline given here that our work to some extent appeared as if it were no more than a contemporary elaboration of Marx's conception. We will content ourselves with showing but one example of this close correspondence, namely at that point in Marx's text where Marx polemicises against the view, taken by the Unity Programme, that each worker should receive the "undiminished proceeds of his labour":

"Let us take first of all the words 'proceeds of labour' in the sense of the product of labour; then the cooperative proceeds of labour are the *total social product*.

From this must now be deducted:

*First*, cover for replacement of the means of production used up.

*Secondly*, additional portion for expansion of production.

*Thirdly*, reserve or insurance funds to provide against accidents, dislocations caused by natural calamities, etc.

These deductions from the 'undiminished proceeds of labour' are an economic necessity and their magnitude is to be determined according to available means and forces, and partly by computation of probabilities, but they are in no way calculable by equity.

There remains the other part of the total product, intended to serve as means of consumption.

Before this is divided among the individuals, there has to be deduction from it:

*First, the general costs of administration not belonging to production.*

This part will, from the outset, be very considerably restricted in comparison to present-day society, and it diminishes in proportion as the new society develops.

*Secondly, that which is intended for the common satisfaction of needs, such as schools, health services, etc.*

From the outset, this part will grow considerably in comparison with present-day society, and it grows in proportion as the new society develops.

*Thirdly, funds for those unable to work, etc., in short, for what is included under so-called official poor relief today.*

Only now do we come to the 'distribution' which the programme, under Lassallean influence, alone has in view in its narrow fashion, namely, to that part of the means of consumption which is divided among the individual producers of the cooperative society.

The 'undiminished proceeds of labour' have already unnoticeable become converted into the 'diminished' proceeds, although what the producer is deprived of in his capacity as a private individual benefits him directly or indirectly as a member of society " (K. Marx: *Critique of the Gotha Programme*; Progress Publishers, Moscow; 1978; p. 15)

That for which we search in vain amongst the writings of any of the official marxist economists is what first hits the eye in Marx's representation: as with capitalism, he sees the economy of the communist society as a closed, self-contained process, at the heart of which a law-governed circuit is taking place. The economic necessity to reproduce and extend the means of production consumed is the foundation on the basis of which the distribution of the total product is conceived. Furthermore, the idea would never have occurred to Marx that this necessary process of reproduction could be made the personal responsibility of State commissars, that is to say, could be purely subjectively decreed. On the contrary, *it is an objective process*, and it is a self-evident necessity that its unit measure of regulation and control must proceed out of production itself. Following upon that, when considering those general social outgoings which can be satisfied only socially and which will represent deductions from the "full proceeds of labour" - the maintenance of those incapable of work, etc., - with Marx there is no sign whatsoever of any conception which envisages that a mountain of statistics would be necessary for this to be done! On the contrary, these outgoings are obtained by a simple deduction from the individually consumed product. If one recalls the fact that he

proposes as the measure for this distribution the individually contributed labour-time, the picture becomes complete. For all these reasons we believe ourselves to be fully justified in saying that the work which we have carried out is no more than the consistent application of Marx's own theoretical methods.

## 2. From Money to Labour-Time Computation

In the course of the various discussions we have held concerning the fundamental principles of communist production and distribution, there were two arguments which, in the main, were brought to bear in criticism of our work. The first related to the system of labour-time computation, and the second argument was that the foundations of communist society outlined in this study were "utopian". We now intend to show how history itself has refuted both these arguments.

The abolition of money and its replacement by average social labour-time - the so-called "labour certificates", is *a revolutionary act* and, providing that the working class can apply the necessary degree of social persuasion, could be brought into being within a few months of the establishment of proletarian power. It is no more than a question of social power, the social power of a class - *power which only the entire proletariat can adequately bring to bear*.

To achieve this, a party dictatorship is an absolutely inappropriate and inadequate instrument. A party dictatorship can be a product only of a development towards State communism.

In the first phase of its existence, the new proletarian society will almost inevitably require vast quantities of money, which it will procure for itself in all likelihood by the same means as those employed by the capitalist States in central Europe in the immediate post-war period: that is to say, by means of the printing press. The result, of course, will be a strong monetary inflation, leading to soaring prices of all products. The question to be asked in this

connection is not as to whether or not such consciously motivated inflation is desirable; if it were to be avoidable then the proletarian power would certainly do everything to prevent it. The phenomenon of devaluation of the currency is, however, an unavoidable consequence of each and every revolutionary movement which succeeds in any degree in overthrowing existing society. Just how the revolution then proceeds further - whether it leads to State communism or to the Association of Free and Equal Producers, whether a political party is successful in establishing its dictatorship or whether, on the other hand, the proletarian class succeeds in establishing its power through the Councils, - whichever of these occurs, inflation will be the inevitable by-product of social upheaval. In due course, however, a certain degree of regularisation of social relations sets in, and this in its turn makes stabilisation of the currency possible. The old unit of currency is discarded and a new one takes its place. Thus it was in Russia, where the Chervonetz was introduced as a new unit of currency; also Austria, which acquired its Schilling in this way, as did Belgium its Belgar and Germany its Goldmark. France and Italy took the same step, but with the currency retaining its old name.

Of all peoples, it has been the German people which have received the most enlightening instruction concerning the significance of a change in currency. Here, the simple decision was taken that, from a certain date, one billion Marks of the old currency would correspond with one new Goldmark. Economic life readily adapted itself to the new conditions and the new unit of currency was adopted with barely a disturbance to be seen anywhere on the social horizon.

Only an ungracious malcontent would have pointed out that in the process innumerable small property holders had been expropriated, because the devaluation of their holdings had so thoroughly ruined them that their creditors had been compelled to foreclose as the sole means of obtaining any restitution of the sums owed them!

Essentially the same phenomenon occurs with the introduction of the Average Social Hour of Labour as a unit of economic regulation and

control. So soon as production is proceeding more or less smoothly, a situation of "stabilisation" is proclaimed, that is to say, from a certain date onwards all money will be declared worthless and only labour certificates will give entitlement to social product. It will be possible to exchange this "certificate money" only at the cooperative shops and warehouses. The sudden abolition of money will bring about a situation in which, equally suddenly, all products must have their appropriate ASRT (Average Social Reproduction Time) stamped upon them. It is, of course, simply not possible to do this on the spur of the moment and without further ado, and for the time being it is arrived at by sheer rule of thumb. This will inevitably mean that in one case it will be estimated too high, in another too low. So soon, however, as the system of labour-time computation will have been generally introduced, the real reproduction times will come to light soon enough.

In the same way, since the producers themselves will now have management and administration of production in their own hands, it will now also be their responsibility to complete the conversion from money values into labour-time units. The only tool they will require for this task will be a set of conversion tables or key indexes, a form of easy reference made so familiar to everybody during the war years.

A method of arriving at an approximate form of this conversion is to calculate the ASRT applicable to those countries which either produce a mass product, or else are so-called key industries - for instance, coal, iron and steel or potash. It will be possible to obtain from the works cost accounting department data revealing how many tonnes of product were produced in a given amount of time, and from this to derive the former intrinsic cost price. Leaving such purely capitalistic factors as interest on bank loans, etc., out of account, it is then possible to calculate how many labour-hours were expended in producing that quantity of product. From this same data it is then possible to calculate the money-value represented by an hour of iron production ("iron-hour") or for an hour of potash production ("potash-hour"). This having been done, the average of all these industries

can then be adopted as a temporary general average. In putting this forward we do not wish to suggest that this particular method of arriving at a conversion cipher is the sole definitive one, the exclusive use of which is axiomatic - on the contrary, there are many roads leading to the same goal. As we have already remarked, history has already proved the possibility of carrying through sudden changes in the unit of economic exchange employed. In the developed industrial nations, it has proved possible to complete "the largest and most difficult financial operation ever attempted anywhere" (the *New Statesman* commenting on the introduction of the Goldmark) without any serious difficulties.

Should our calculation, for instance, produce a result which shows that the relevant ASRT equivalent amounts to Marks 0.8 = 1 labour-hour, it will then be possible for each industrial establishment to calculate a temporary production time for its product. In all such industrial establishments, inventories would then be drawn up employing this standard scale, expressed in Marks. The depreciation of tools and machines is then estimated - values which, incidentally, are well-known in all industrial plants. This having been completed, everything is converted according to the figures shown in the index. In the case of a boot and shoe factory, for instance, the calculation could look something like this:

Depreciated machinery etc., = Marks 1000 = 1250 Labour-Hours.

Leather etc., = Marks 49000 = 61250 Labour-Hours.

Labour-time = 62500

*therefore total equates to: 125000 = 40000 per shoe*

*Average Production Time then is: 125000 divided by 40000*

*equals 3.125 per pr.*

### 3. Alleged Utopianism

The second argument deployed against us by our critics is that of an alleged "utopianism". However, this also is incorrect, since throughout the entire examination no imaginary constructions whatsoever have been dreamed up for the future. We have examined only the basic economic categories of communist economic life. Our sole aim has been to show that *the proletarian revolution must summon forth the power to implement in society the system of Average Social Reproduction Time (ASRT); should it fail in this, then the end outcome of the revolution will inevitably be State communism*. It is, however, unlikely that any such form of State communism will be introduced directly or openly announced, since this would tend to compromise it far too openly. A much more likely turn of events would be that these tendencies would develop out of some form of guild socialism, which the English writer G.D.H. Cole has described in his book *Self-Management in Industry*, and which has been taken up by Leichter in a more exact form. Everything here is disguised State communism. In particular, this work represents a last-ditch attempt by the bourgeoisie to forestall the establishment of that most fundamental but least understood of all the "Fundamental Principles of Communist Production and Distribution": the establishment of an exact relationship of the producer to the social product.

It has, on the contrary, been our experience that every work purporting to represent a principled view of communist production and distribution which has hitherto come to our attention and which claims to be based upon the historically valid realities is in fact based upon the purest utopia. Projects are drawn up showing how the various industries are to be organised, how the contradiction between producers and consumers is to be eliminated through the agencies of various commissions and committees, through which organs the power of the State is to be curbed, and so on. Wherever one or the other author of such a fantastic scheme finds he has fantasised himself into a corner with his intellectual somersaults, or wherever any difficulty arises in making his concocted speculations

work out, for instance in respect to the integration of various industries ... the solution is soon to hand: a new commission or a special committee is "brought into being". This is especially the case with Cole's *Guild Socialism, the historical predecessor of which was so-called German trade-union socialism*.

The organisational infrastructure of any system of production and distribution is functionally associated with the economic laws determining its movement. Any conception concerning such an infrastructure which does not reflect the economic categories inherent to its system is therefore no more than utopian speculation. Such utopianism merely serves to distract attention away from the real fundamental problems.

In our observations we have not concerned ourselves with this speculative field. Insofar as the organisational structure of economic life has been touched upon at all, this has been only to refer here and there to the organisation of industrial establishments and cooperatives. This has its justification in the fact that history has to a large extent already indicated what these forms are to be, thereby depriving them of any of the characteristics of an over-heated imagination. We have treated the question of the organisation of the peasants with the greatest reserve, precisely because the West European movement possesses very little experience in this field. We must await the verdict of history as to just how the peasants will organise themselves. As far as the farming establishments are concerned, we have contented ourselves by showing how capitalism itself has prepared the conditions for calculating Average Social Reproduction Time (ASRT). All we have done has been to examine some of the consequences arising from this.

Just how the industrial organisations will combine with one another, which organs they will call into being in order to ensure the smooth operation of production and distribution, just how these organs will be elected, how the cooperatives will be grouped - all these are problems the solutions for which will be determined by the special conditions prevailing in each sector of the economy and the specific

ways in which they reflect the fundamental characteristics of production and distribution. It is precisely this, the functional operation of the production apparatus, which Cole elaborates in the greatest detail in his depiction of guild socialism, without anywhere touching upon the real problems as they arise from the fundamental economic laws of motion, and it is this which reduces his work to the status of worthless dross. For this reason we reject decisively any and all accusations of "utopianism". The method we have adopted in our exposition is precisely that of concentrating upon the fundamental questions, which are those concerned with the methods to be adopted for implementing the average social hour of labour and the reproduction time arising therefrom.

Should one equate trust in the strength of the proletariat to establish communism with utopia, then this can be no more than a subjective utopianism which the proletariat will need to eradicate through intensive propaganda.

The sole area in which the accusation of utopianism might seem to possess some semblance of justification is that relating to the system of control over the norms of economic life. But only a semblance. One might hold the opinion, for instance, that Leichter has allowed more scope for developmental possibilities, inasmuch as he has left open the question as to whether the system of accounting between separate industrial establishments should be carried out *individually between the establishments themselves* through the medium of labour certificates, or whether this should be done through simple double-entry book-keeping at the book-keeping centre, whilst we insist unconditionally upon the method of centralised double-entry recording. The essential point, however, is that we draw attention continually to the prime significance of the system of social book-keeping in general as a weapon of the economic power of the proletariat, whilst it simultaneously provides the solution to the problem of regulation and social control of economic life. The organisational structure of this system of book-keeping, its specific points of contact with society as a whole - these questions have naturally been left out of our account.

It is of course possible that, in its revolution, the proletariat will fail to generate the strength necessary to enable it to use this decisive weapon for promoting its class power. In the end, however, this is what it must come to, and indeed this is quite apart from the question of the social power of the proletariat, for the simple reason that a communist economy demands an exact computation of the quantity of unremunerated product which consumers are to receive. In other words, the data necessary for the computation of the Factor of Individual Consumption (FIC) must be ascertained; should this not be received, or only inadequately, then it becomes impossible to implement the category of Average Social Reproduction Time, whereupon the entire communist economy collapses. Then there remains no other solution than that of a *price policy*, and we will have turned full circle, to arrive once again at a system of rule over the masses. We will have sailed straight into the jaws of State communism. Thus it is not our imagination which considers the system of general social book-keeping to be a necessity for communism; on the contrary, it is the objective legality of the communist economic system which makes this unconditional demand.

If we were to make a brief summary of our observations, we would arrive at the following picture:

The foundations of this exposition are grounded in that which is empirically given, namely: that with the assumption of power in society by the proletariat, control over the means of production passes into the hands of the industrial organisations of the workers. The strength of communist consciousness, which in its turn is associated with a clear understanding as to the social uses to which those means of production are to be put, will determine whether or not the economic system in which that use is comprised will maintain itself. Should the proletariat fail to make its power effective, then the only road remaining open is that which leads to State communism, a system which can try out its various hopeless attempts to establish a planned system of production only on the backs of the workers. A second revolution, which finally succeeds in actually placing control

over the means production into the hands of the producers themselves, then becomes necessary.

Should, however, the industrial organisations succeed in making their power effective, then they can order the economy in no other way than on the basis of Average Social Reproduction Time, with simultaneous abolition of money. It is, of course, also possible that syndicalist tendencies may be present, with such a degree of strength that the attempt of the workers to assume their own administrative control over the industrial establishments is accompanied by attempts to retain the role of money as the medium of exchange. Were this to occur, the result could be nothing other than the establishment of a form of guild socialism, which in its turn could only lead by another road to State communism. The decisive nodal point of a proletarian revolution, however, lies in the establishment of an exact relationship of the producers to the social product, and this is possible only by means of the universal introduction of the system of labour-time computation. *It is the highest demand that the proletariat can place before history..* Simultaneously, however, it is also the most fundamental, and it is without doubt the decisive factor for the struggle for power. *It is an aspect of power which the proletariat alone can win, through its struggle,* and in that struggle it must never place its chief reliance upon the assistance of socialist or communist intellectuals.

The maintenance of the power of the industrial organisations is therefore based upon the assertion of independent administration and management, since this is the sole foundation upon which the system of labour-time accounting may be implemented. A veritable stream of literature from America, England and Germany supplies proof that the computation of average social production time is already being prepared within the bosom of capitalism. Under communism the calculation of  $(P + C) + L$  serves just as readily as now, under capitalism, a different unit of economic regulation does - in this respect also capitalist society bears the new communist mode of production in its womb. The settlement of accounts between the various industrial establishments, necessary to ensure the conditions

for reproduction in each one of them, takes place through double-entry book-keeping maintained at the accounting centre ... just as now. This also represents yet another example of how capitalism is pregnant with the new communist order. The amalgamation of establishments is also a process which, already today, is being carried into effect. It must only be borne in mind that the industrial regroupings of the communist future will as likely as not be of a different kind, because they will pursue different aims. Those industrial establishments which we have designated as the GSU type, the so-called "public" establishments, also exist today, but as instruments of the capitalist State. These will be separated from the State and integrated into society according to communist principles. Here also we are dealing with the reconstruction and extension of that which already exists. But the State thereby loses its present hypocritical character and initially exists only as the apparatus of proletarian power pure and simple. Its task is to break the resistance of the bourgeoisie. ... But as far as the administration of the economy is concerned, it has no role whatsoever to fulfil, *whereby the preconditions for the "withering away" of the State are simultaneously given.*

The separation of the public establishments from the State, their integration into the total organism of the economy, demands that the part of the total social product which is still destined for distribution according to norms of individual remuneration must be determined, for which purpose we have elaborated the Factor of Individual Consumption (FIC).

As regards the sphere of distribution, here also the organs of the future communist society are present in embryo within capitalism. To what extent present-day consumer cooperatives will prove to be viable as organs of the new communist economy is another question, since under communism distribution will be organised along different lines. One thing, however, is certain: a great deal of experience is even now being accumulated in the contemporary consumer cooperatives.

If we compare all this with State communism, the first thing to be observed is that, in its case, there is no possibility that money will pass out of use, because only those productive establishments will be made State property which have reached the required degree of "maturity". Hence a large part of production will still remain in the hands of private capital, thereby excluding the possibility of any other form of economic control than that of money. The *commodity market* remains, as does also *labour-power as a commodity*, one which must then realise its *price* on the market. This would mean that, in spite of all the fine words to the contrary, in reality *the elimination of wage-labour would be impossible*. The ensuing programme of "nationalisation", which is then supposed to open up the road to communism, in fact inaugurates nothing but an endless vista of hopeless prospects. The right to shape the developing communist society is snatched out of the hands of the producers themselves and vested in those of State bureaucracy, which would soon bring the economy to a state of total stagnation. From the isolated vantage-point of their central bureaux, it would be the administrators who would decide what is produced, how long it would (more likely, *ought to!*) take to produce it, and with what level of wages labour would be remunerated.

In such a system it will also be necessary for democracy to play its part. It is solely by means of elected responsible bodies and councils that the interests of the masses can be guaranteed. This democracy, however, will be infringed and rendered null and void in sphere after sphere, because in essence it is incompatible with the type of centralised administration which will inevitably arise. The latter will unavoidably dissolve into the rule of many separate dictators, and the course of social life will be determined by autocratic forms of rule within the system of democracy. Thus here also we will see yet a further example of how democracy becomes a cloak concealing the actual imposition of the rule of a minority over millions of working people, exactly as under capitalism. At the very best the workers will have to content themselves with the highly valued "right of co-management", which represents yet another form of disguise concealing the real relations of power.

The rejection of all centralised forms of administration and management of production does not however imply that we have taken our stand exclusively upon a federalised structure. Wherever management and administration are in the hands of the masses themselves and are implemented through their industrial organisations and cooperatives, powerful syndicalist tendencies are without doubt present; but when viewed from the aspect of the system of general social book-keeping, economic life is seen to be *an indivisible whole*, from which strategic vantage-point the economy is not so much administered and managed as surveyed and planned as a unified whole. The fact that all the various changes wrought upon society in the course of the economic process by the application and simultaneous transformation of creative human energies come to be registered in the one recording organism forms the highest summation of all economic life. Whether one calls this federalist or centralist depends simply upon the vantage point from which one views the same phenomenon. It is simultaneously the one and the other, which means that, as far as the system of production as a whole is concerned, these concepts have lost their meaning. The mutual opposition of federalism and centralism has been subsumed within its higher unity; the productive organism has become an organic whole.