

over the whole of society. These facts compelled us to undertake a closer examination, an examination which revealed that state communism, in both theory and practice, has absolutely nothing in common with Marxism. At the same time as social life itself, through its definitive 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 communism.

## CHAPTER II

### THE PROGRESS ACHIEVED HITHERTO IN DEFINING THE PROBLEM

#### The Disciples of Marx

A survey of the literature of Socialism or Communism, otherwise so rich, shows us 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, mankind has placed before it the choice either to abolish private ownership in 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",<sup>1</sup> 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>2</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 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 be 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." (R. Hilferding: "Das Finanzkapital" ["Finance Capital"], trans. T. Bottomore, p. 314 German Edition, p. 234, (English Edition))

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 this 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 in means of production will be superseded, for the simple reason that 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 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 Hiferingian 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 that 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 nonsensical proposals, such as the fixing of prices over long periods, etc. These wild somersaults of Kautsky's nevertheless had 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 as "a means of circulation". (K. Kautsky: "Die proletarische Revolution und ihr Programm" ["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 the 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 "Die Wirtschaftsrechnung in der sozialistischen Gesellschaft" ["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.

#### Free Communism

The plea for clarity appears very strongly in Müller-Lehning's Dutch pamphlet on "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 book:

"It is necessary to say that 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 these 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: "Der Anarcho-Syndikalismus" ["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 the problem, and for not a single one of them can he offer any solution.

A French anarchist, Sebastian Faure, attempted to find a solution. His book "Le Bonheur Universel" ["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 of 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" (page 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 see their rights made 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 itself through on the strength of its results, and finally triumphs" (page 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" (page 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 its 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 sphere 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 the 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 taken from nature, but we do so only in order to demonstrate by this 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 this 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. 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 therefore 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: "Le Bonheur Universel" ["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 which 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" (page 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* 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 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: "Das Finanzkapital" ["Finance Capital"], trans. T. Bottomore, page 1 [German Edition], page 28 [English Edition]. (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 even the anarchists would have learned enough about political economy to have known that whoever holds control over the productive apparatus in their hands 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 legalities 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 keep control of it. To achieve this 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 anarchist 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 unmistakeable 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.

## CHAPTER III

## THE REPRODUCTION PROCESS IN GENERAL

Under Capitalism, Reproduction is a function of the Individual Capitalist Groups

Mankind has fashioned for itself the apparatus of social production as an organ for the satisfaction of its thousandfold needs. The productive apparatus - that is to say, the collective means of production - serves human society as a tool with which to wring from nature that which is 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."

(K.Marx: "Capital", Vol. I; Penguin Books, p. 711).

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 must take its place. In the case of Communist society, this



means that an exact account must be kept of everything entering into 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 his own reproduction needs. He 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 his supplementary expenditures, such as marketing costs, insurance, etc., and finally he goes to market with his finished commodities. Should his business be successful, a period of production is thereby successfully concluded for him. He 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 which 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 which 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.<sup>1</sup>

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 cooperatively organised society based upon property in means of production held in common, the producers do not exchange their products; in exactly the same way, the labour which has been transformed into products does not appear as the value of these products, as an objective quality possessed by them, since now, in contradistinction to capitalist society, the individual acts of labour do not make their contribution felt indirectly, but appear directly as an element of the total labour of society."

(K. Marx: "Randglossen", zitiert in "Elementar-bücher des Kommunismus", Band 12 ["Marginal Notes" ("Critique of the Gotha Programme"), quoted in "Elementary Textbooks of Communism", Vol.12,p.24];[p.16 English Edition].

"It is clear that the same principle prevails here as that which regulates commodity exchange, with the sole proviso that the exchange is between elements of equal value; content and form are changed, because under the changed circumstances no-one can give anything except his labour and because, on the other hand, nothing can be appropriated as the property of the individual except individual means of consumption. However, as regards the distribution of the latter amongst the separate producers, the same principle prevails as in the case of the exchange of commodity equivalents: an equal quantity of labour in one form is exchanged against another equal quantity of labour in another form."

(K.Marx:ibid.,p.25) p.16 [English Edition].

Thus the industrial establishments place their product 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 which need not be elaborated upon here, capitalist methods of industrial administration 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. All these factors are incorporated into special formulae. They are, however, all related to the one common denominator: *money*, and it is this which the industrial administrator himself sees as a hindrance standing in the way of exact accounting (see: "Richtlinien für eine Betriebsbuchhaltung in Papierfabriken" ["Guidelines for Industrial Book-keeping in Paper Factories"], also: "Allgemeine Grundsätze für Selbstkostenberechnung" ["General Principles of Cost Accountancy"]);<sup>2</sup> But nothing stands

in the way of converting them into another accounting unit. Also, the formula in its present form is often unusable 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 to the highest degree the level 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 items as the salaries of officials, heating costs of the workplace, etc. - the Authors).. "It should equally be counted amongst the great achievements of capitalist accounting methods that it has enabled these detailed costs to be included in the total works budget." (O. Leichter: "Die Wirtschaftsrechnung in der sozialistischen Gesellschaft" ["Economic Regulation and Control in a Socialist Society"] pp. 22-23).

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:

$$\begin{array}{rclcl} (p & + & c) & + & L & = & \text{Product} \\ \text{Machinery + Raw Materials +} & & & & \text{Labour} & = & 40000 \text{ P. Shoes} \\ 1250 \text{ L.Hrs.} + 61250 \text{ Lb.Hrs.} & + & 62500 \text{ Lb.Hrs.} & = & 125000 \text{ Lb.Hrs.} \end{array}$$

$$\text{In average} = 3.125 \text{ Lab.Hrs. per pair}$$

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:

$$(P + C) + L = T.PR.D$$

If we assume the sum of all used up P in all the industrial installations = 100,000,000 labour-hours and that for 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:

$$\begin{array}{rclcl} (P & + & C) & + & L & = & \text{TOT. PRD.} \\ 100 \text{ Mill.} + 600 \text{ Mill.} & + & 600 \text{ Mill.} & = & 1300 \text{ Mill. LAB.HRS.} \end{array}$$

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 total 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 of labour performed, the skilled exactly one hour and the officials and foreman three hours.

#### 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 also can see from our example. He says:

"There remains 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." (O. Leichter: *ibid*, p. 76).

Here we can see that Leichter considers a differing scale of evaluation for 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 than one in which forms of rule and domination are exercised over millions of workers. For them human beings have become simply objects. 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 may be 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 early 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 in 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 costs 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>3</sup> This establishes a situation in which unskilled labour can reproduce 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 also 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 the 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."

(O. Leichter: *ibid.*, p. 61).

If we now compare this with Marx's analysis of the price of labour-power under capitalism, it then becomes 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 the 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 the lower is the price of his labour, his 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 his production is almost confined to the commodities necessary for keeping him alive and capable of working. The



*price of his 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*."

(K.Marx: "Wage Labour and Capital", Foreign Languages Publishing House, Moscow; pp. 45-6)

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 productive 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. Education, for instance, is no longer dependent upon 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 of 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 common ownership of 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 he 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 termed "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, which 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 the producers play a role only as faceless elements.



## CHAPTER IV

AVERAGE SOCIAL PRODUCTION TIME  
AS THE BASIS OF PRODUCTIONKautsky'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 Théorie Marxiste de le Monnaie" ["The Marxist Theory of Money"], 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" (K.Kautsky: "Die proletarische Revolution und ihr Programm" ["The Proletarian Revolution and its Programme"], page 318). 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) (viz.K.Kautsky: "Karl Marx' Oekonomische Lehren, ["The Economic Teachings of Karl Marx"], page 21), 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 speak the truth as he saw it. In very 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 founded upon labour-time 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, iron and steel as their product move to the engineering works, this then supplies 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 superhuman 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, including transport and other auxiliary operations" (K.Kautsky: "Die proletarische Revolution und ihr Programm" ["The Proletarian Revolution and its Programme"], page 318). "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>1</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!

#### 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"

(O. Leichter: "Die Wirtschaftsrechnung in der sozialistischen Gesellschaft" ["Economic Regulation and Control in a Socialist Society"]. p.54)

"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".

(O. Leichter: *ibid*, p. 68)

"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 with 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 other productive installations, and so 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."

(O. Leichter: *ibid*, pp. 52-53)

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 quite 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."

(O. Leichter: *ibid*, p.100)

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 ton of coal or a cubic metre of gas, etc.

### 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 not only for industrial installations which produce a mass product, but is also applicable to the most varied products of a complex productive organism, soon becomes generally accepted, 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 can conceive 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 his objections - since we have already uncovered his 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 would 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 Kautskian 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 of eternal life. But what kind of a 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 judgment, 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?" (K.Kautsky: "Die proletarische Revolution und ihr Program" ["The Proletarian Revolution and its Programme"], p.319)

Here Kautsky demands with justice that the "prices" of products must agree with the socially necessary labour and not with the labour<sup>2</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 of 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.*

#### 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 the various individual factory averages. Where one factory arrives at an average of 3 hours per pair of

shoes, another at  $3\frac{1}{4}$  hours and yet another at  $3\frac{1}{2}$ , then the average labour-time would lie at  $3\frac{1}{4}$ . (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 productivities, 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  $3\frac{1}{4}$  hours as their average labour-time, which then becomes the cipher against which shoes enter into individual consumption. A factory which is underproductive, 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,  $3\frac{1}{2}$  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 how small the plus or minus limits 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 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 underproductive, 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  $3\frac{3}{4}$  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 factory lies in a ratio of  $3\frac{3}{4}$  to  $3\frac{1}{2} = 13:14$ . The factory calculation must therefore always make itself correspond with the social average by application of the formula  $\frac{13}{14} (p + c) + L$ , 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  $\frac{1}{14} (p + c) + L$ .

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 might wish to apply to the grouped industrial establishments of a particular industrial sector in combination. The elimination of this distinction also destroys yet 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>3</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 each

industrial establishment has an end product which already bears within it the measure of labour-time. When an advance takes place in 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 at which  $(p + c)$  is used up falls, that is to say, the costs of 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 Kautskian 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.



## CHAPTER V

AVERAGE SOCIAL PRODUCTION TIME AS  
THE BASIS FOR DISTRIBUTIONThe 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 he has 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."

(K.Marx: "Capital", Vol. I; Penguin Books; Footnote to Chapter III, pp. 188-9).

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."

(O. Leichter: *ibid*, p. 75).

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 his maintenance, 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?

The answer, of course, is that this minimum is intended for the 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 a 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 relationship 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 affixed 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 a 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 the 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; and 3. the Relative Wage.

The NOMINAL WAGE is the money price of labour-power. Under that type of Communism which is based upon a 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, he has performed.

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 capable of conceiving only of a kind of intelligent labour machine which is nourished on the basis of a statistically derived physiological or "minimum living standard" 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 average social 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.*

#### 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 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" (E.Varga: "Die wirtschaftspolitischen Probleme der proletarischen Diktatur" ["Problems of Economic Policy of the Proletarian Dictatorship"], p. 42), and which 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 in the total product than that which accrues to the "ordinary" workers. Today one may perhaps 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 then 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 latter 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 the producers end up in a situation of 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 have 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 administrative 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).

#### 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 propagandistic 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 his labour he *should have* - simultaneously determined his 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 in his power and, through the instrumentality of the "prices policy", dominates distribution. It is nothing but the old struggle for positions of power, which is fought out 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 so 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."

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

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!

the principle "supply according to need" is realized; 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 organize 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