

CHAPTER VI

GENERAL SOCIAL LABOUR

The G.S.U. Establishments

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

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

"the full proceeds of his labour-power", paid to him in Labour Certificates at the factory. Labour-time then becomes the direct measure for that part of the social product which is destined for individual consumption.

This, however, does not reflect the realities of the system. Although the GSU (public) establishments consume means of production, raw materials and also consumption goods for the workers who work in them, they contribute no new product to the total mass of products at the disposal of society. All those use-values which the GSU (public) establishments consume must therefore be deducted from the mass of products produced by the productive establishments; that is to say, the workers do not receive "the full proceeds of their labour" paid out at the establishment, and that labour-time is not the *direct* measure determining that part of the social product which is destined for individual consumption, inasmuch as the workers must surrender a part of their product for, amongst other categories, the public (GSU) establishments.¹ This makes it appear as if, in this case, the exact relationship of the producers to the social product had been disturbed, and it is indeed here that the source of the difficulty may be found which has caused the economists so many headaches.

It is now our task to find a final solution to this problem. For all economists concerned with the economic system of Communism, this question is a sensitive point. It was, furthermore, from the attempt to solve this anomaly that, amongst other things, Neurath's project for a central authority for producers and distributors first arose, in that it is this central authority which decides what and how much out of the total social product each individual shall enjoy according to "the way of life to which he is accustomed". Others are not quite so consistent in their treatment of the problem and attempt to solve it by means of indirect taxes (Russia). But in all these cases the answer to the question as to exactly what and how much should be allocated to the worker-producer for his individual consumption represents just so much fumbling around in the dark.

On one question, however, there is unanimity: in order to solve the problem a central management and administration of the economy is necessary, which then means that there can be no question of establishing an exact relationship of the producer to the product. The fact that "libertarian communism" à la Sebastian Faure is also compelled to grasp at the straw offered him by an economy administered "from above" means that in this system also the basic motivation may be imputed to the same cause.²

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

Leichter's Price Policy

The first to have brought this problem closer to its solution was Otto Leichter, for the simple reason that he was the first to have placed the Communist economy upon the material foundation of "cost accounting". Nevertheless his work did not reach a satisfactory conclusion, because in the final outcome he did not know how to apply consistently the category of average social labour-time to both production and distribution. Leichter's conception of the whole economy is that of a giant trust, Hilferding's "universal cartel". For him the question then resolved itself into that of deciding wherein the source from which he might derive the general public accounts (what we have termed the GSU services) might lie. He turned his face against the method of indirect taxes and sought other means. He even found them ... but, in doing so, he let fall the category of average social labour-time. Where Kautsky

failed, having placed himself in an anomalous situation through being unable to perceive the difference between the factory average and the social average, Leichter also failed to solve this same problem. But, in his case, he did not permit this to lure him away from the method of labour-time computation completely. Instead of calculating the social average for the entire "guild" or sector of production, he determined a "price" for each product according to the productivity of the least efficient (or most expensive) establishments, thus compelling the remaining industrial establishments to operate at a profit, which profit then flows into the general treasury of the whole of society. Concerning these profit-making installations he writes:

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

(O. Leichter: *ibid.*, p.31).

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

In the meantime, this "source of income" is found to be an inadequate device and, to be quite blunt, not fundamentally essential to Leichter's system. In the course of his later examination of the problem, he attempts to formulate it more exactly and in doing so achieves a fundamental advance over and against all other work in this field of which we know. The first step in his scheme is to combine all public costs under one heading and then to determine

how many labour-hours per year have been expended by all the producers to achieve this (it is obvious that this requires a general system of social book-keeping). In this way he obtains two values which, when brought into relation with one another, produce a difference-amount. Since the entire calculation rests upon the computation of labour-time, he has by this means uncovered an integer which indicates how many labour-hours must be contributed per head of population on account of GSU or public works. And thus he has also uncovered how much of the labour-power directly expended in the productive establishments must be added to the prices of products in order to cover the "costs" of these GSU (public) social expenditures:

"Each productive establishment will thus have responsibility, each year when the overall production budget for society as a whole is drawn up, for introducing into its specific works or factory budget a category relating to general social costs pertaining to the entire social production system (p.65). The total sum thus arrived at for all the various economic headings - which then become, of course, a charge upon the entire production system - is then aggregated to form some final amount, presumably one related to the total number of labour-hours performed in the spheres of both production and distribution. The difference-amount thus arrived at is then added to the sums paid out for individual remuneration of labour ("wages") when the origination costs of all social ("public") expenditures are summated, so that an element representing the general costs of society is included in the cost prices of goods. It would, of course be equivalent to an injustice, and would have almost the same effect as an indirect tax, were one to add that same increment for general social costs to all commodities, to the most staple as to the most luxurious, to the most basic as to the most complex, to the most necessary as to the most esoteric. Amongst the most important tasks of the Economic Parliament or Supreme Economic Administration will

therefore be that of determining for each branch of industry or for each individual product the correct increment category to be applied for general social costs, always fixing these in such a way that the total non-productive costs of society are included. In this way the possibility is also obtained of influencing price policy in accordance with the viewpoint of a central authority ..."

(O. Leichter: *ibid.*; p. 66)

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

Let us however now delete from his analyses everything which is in any way superfluous and pose concretely the question: how does Leichter arrive at his figure for general social costs? We then see that there can only be one answer: "On the one hand from the surplus produced by the productive establishments and on the other hand from indirect taxes". Indeed, he evokes the appearance of wishing to add a specific increment to the prices of all products, but in

practice his solution resolves itself into one in which a specific amount is fixed "for each sector of industry or for each product". Precisely which products those are to be can be determined only through the antagonistic power-relations underlying the Leichterian class society. And this, in its turn, can be determined only by the degree of force which the workers are able to bring to bear in their struggle against "their" supreme administration. It is for this reason that we arrive at the conclusion that Leichter is unable to solve the problem. His "exact relationship" finds its practical end in total bankruptcy.

The Distribution of the Product

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

SOCIETY IN ITS PRODUCTIVE ACTIVITY TURNS OUT PRODUCTS IN THOUSANDFOLD FORM. THESE PRODUCTS HAVE STAMPED UPON THEM HOW MANY HOURS OF AVERAGE SOCIAL LABOUR-TIME HAVE BEEN USED UP IN THEIR PRODUCTION. OUT OF THIS MASS OF PRODUCTS IT IS THE PRODUCTIVE INSTALLATIONS WHICH FIRST OF ALL RENEW THEIR USED UP MEANS OF PRODUCTION AND RAW MATERIALS. NEXT IT IS THE GSU (PUBLIC) INSTALLATIONS WHICH CARRY THROUGH THE SAME PROCESS. FINALLY, THE REMAINING PRODUCTS ARE CONSUMED BY ALL THE WORKERS. WITH THIS, THE ENTIRE SOCIAL PRODUCT HAS BEEN CONSUMED BY SOCIETY.

As the first stage, therefore, the *productive establishments* take out of the product mass what they have used up in p and c. This means nothing more than that all installations, each one taken separately, which have calculated the quantities of p and c they

have used up and which have adopted these into the cost computations of their products, now also renew all those materials in exactly those quantities determined by the relevant cost computation.

If now we set down once again the production schematic for the total of all productive installations, taken together, we have:

$$\begin{array}{rclcl} (P & + & C) & + & L & = & \text{Mass of Products} \\ 100 \text{ Mill.} & + & 600 \text{ Mill.} & + & 600 \text{ Mill.} & = & 1300 \text{ Mill. Lab. Hrs.} \end{array}$$

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

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

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

$$\begin{array}{rclcl} (P_u & + & C_u) & + & L_u & = & \text{Social Services, or} \\ 8 \text{ Mill.} & + & 50 \text{ Mill.} & + & 50 \text{ Mill.} & = & 108 \text{ Mill. Lab. Hrs.} \end{array}$$

By this means we have made a further advance. From the 600 million labour-hours of product accountable to the productive establishments, 58 million are at first withdrawn to cover the $(P_u - C_u)$ of the GSU establishments, so that 542 million remain

for the individual consumption of all workers in total. The question now becomes: what is the quantity accruing to each individual worker? In order to provide an answer to this question, we must first determine what proportion of the total yield of labour-power has been consumed by the G.S.U. (public) establishments. Having achieved that, the problem is solved.

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

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

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

$$\frac{L - (P_u + C_u)}{L + L_u}$$

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

$$\text{FIC} = \frac{600 \text{ M.} + 58 \text{ M.}}{600 \text{ M.} + 50 \text{ M.}} = \frac{542 \text{ M.}}{650 \text{ M.}} = 0.83$$

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

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

In various meetings and discussions which were held on the above theme, anxiety was sometimes expressed in various quarters that the system of

general social book-keeping could under certain circumstances develop into a new organ of exploitation, because it is empowered with the task of determining the value of FIC. It could for instance calculate this factor at too low a value.

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

The Socialisation of Distribution

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

We have seen that one of the most characteristic features of the GSU (public) establishments lay in the fact that in their case the principle "To Each According to his Needs" is realised. Here the measure of labour-time plays no role in distribution. With the further growth of Communism towards its higher stage, the incidence of this type of economic establishment becomes more and more widespread, so that it comes to include such sectors as food supply,

passenger transport, housing, etc., in short: the satisfaction of consumption in general comes to stand on this economic foundation. This development is a *process* - a process which, at least so far as the technical side of the task is concerned, can be completed relatively rapidly. The more society develops in this direction and the greater the extent to which products are distributed according to this principle, the less does individual labour-time continue to act as the measure determining individual consumption. Although at any given moment individual labour-time does continue to fulfill this function in some degree, as the development towards Communism proceeds, to an ever increasing extent does this function destroy from under its feet the very ground from which it sprang. Here we are reminded of what Marx had to say concerning distribution:

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

(K.Marx: "Capital", Vol.I.; p. 172)

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

The process through which distribution is socialised does not take place spontaneously, but is associated with initiatives taken by the workers themselves. Opportunities also exist in plenty through which these initiatives may be expressed. Should the production process as a whole be so far advanced that a particular branch of it which produces an end-product destined for individual consumption is operating completely smoothly and

without disturbances, then nothing stands in the way of integrating that sector of the economy into the sphere of fully public (GSU) establishments. All accounting procedures in these establishments remain the same. Here the workers do not need to wait patiently until it pleases their Excellencies the state officials to decide that control over that particular branch of production is sufficiently firmly consolidated in their hands. Because each productive establishment or complex of productive establishments represents a self-sufficient unit for the purposes of the Control Budget, the producers themselves are fully able to carry through the process of socialisation of distribution.

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

The process of growth of the system which we have termed "consumption according to need" moves and develops within defined limits and represents a conscious process adopted by society as a whole;

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

It would seem, however, that a Remuneration Factor in the form of a Factor of Individual Consumption (FIC) can never disappear completely, because it lies in the very nature of social consumption that only those productive establishments which supply goods satisfying *general* needs will be amenable for transformation into the GSU type of establishment. A little thought will reveal that it will hardly ever be possible to include in the system of fully socialised distribution those many and varied articles and goods which reflect the special tastes dictated by various individual human interests of a specialised kind. Whatever view may be held concerning this, however, the matter is not one of principle. The main point is that the road leading towards a fully socialised mode of distribution is clearly indicated.

The official "marxists" describe the above observations as "pure utopia" which have nothing to do with Marx. Just how matters stand with this "utopia" will be examined in our Epilogue. As regards the

relevant views held by Marx, however, we can say with complete certainty that our perspectives coincide fully with his. Referring to the "Higher Stage of Communism" which we have termed fully socialised distribution, he writes:

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

(K. Marx: "Marginal Notes ["Critique of the Gotha Programme"]; Progress Publishers, Moscow; 1978; pp. 17-18)

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

"What we have to deal with here is a communist society, not as it has developed on its own foundations, but, on the contrary, just as it *emerges* from capitalist society; which is thus in every respect, economically, morally and intellectually, still stamped with the birthmarks of the old society from whose womb it emerges. Accordingly, the individual producer receives back from society - after the deductions have been made - exactly what he gives to it. What he has given to it is his individual quantum of labour. For example, the social working day consists of the sum of the individual hours of work; the individual labour time of the individual producer is the part of the social working day contributed by him, his share in it. He receives a certificate from society that he has furnished such and such an

amount of labour (after deducting his labour for the common funds), and with this certificate he draws from the social stock of means of consumption as much as costs the same amount of labour. The same amount of labour which he has given to society in one form he receives back in another."

(K.Marx: *ibid*; Progress Publishers, Moscow; 1978; p.16)

The Mixed Industrial Establishments

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

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

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

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

total debits which likewise have to be met out of FIC. Representing this general debit quantity with the letter D, we obtain the following formula:

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

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

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

As the third and final example which will arise out of the actual operation of the Accounting Control Budget, there now remains the task of classifying, for purposes of the Control Budget, the one type of Mixed Establishment under the heading of the Productive Establishments and the other under that of the GSU (public) Establishments. Here the Mixed-Productive Establishments have a charge to make against the GSU budget in the amount of D (Debit) labour-hours, whilst the GSU Establishments have

restored to the Productive Establishments those labour-hours represented by G (Gain). As a charge against FIC there thus remains D - G. The Factor of Individual Consumption thus becomes:

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

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

CHAPTER VII

THE COMMUNIST MODE OF DISTRIBUTION

The Relationship of the Producer to the Product

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

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

(F. Engels: "Origin of the Family, Private Property and the State", Lawrence & Wishart, London, 1943; p. 198).

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

(F. Engels: "Anti-Dühring"; Foreign Languages Press, Peking, 1976; p. 363).

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

If we now focus our attention upon the question of the distribution of those products destined for individual consumption, emphasis must be placed upon the mutual interdependence of production and distribution. Just as that mode of administration of the economy which proceeds from a directing centre requires the method of allocation according to subjective norms reflecting administrative judgment, in just the same way the Association of Free and Equal Producers makes necessary a corresponding Association of Free and Equal Consumers. Thus distribution also takes place collectively, through cooperation of every kind. We have already demonstrated how, in this respect at least, Russia provided a glowing example of how the consumers organised themselves in a short space of time in

order to be able to distribute the product independently, that is to say independently of the state. However we also demonstrated that this Russian independence was only a farce, because the relationship of producer to product had already been determined previously in the higher spheres of the administration. Nevertheless, in itself the form of distribution thus achieved remains a positive achievement.

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

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

Thus the costs of distribution cannot be born by each separate distribution cooperative alone, if for no other reason than that, as its end result, this would infringe the principle of an exact relationship of producer to product. Were this to be introduced, the centralised administration of the distribution organisation would then be compelled to apply a

"price policy" in order to cover these costs, and this would then lead to the principle of distribution according to arbitrary administrative decision being smuggled in by the back door. If we consider a distribution organisation from its aspect as a consumer of p and l , then it becomes clear that it has to be classified as AN ECONOMIC ORGANISATION OF THE GSU TYPE. The product or service which is the result of its activities is precisely the distribution of products.

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

The Market

Although we have indicated the basis upon which distribution should be founded and the structure it should take, one important problem nevertheless remains for solution; this relates to the question as to whether or not the necessary total quantity required by consumers is available for distribution; in other words, production must correspond with and reflect the needs of the population. For this to apply, we must in the first place have knowledge of the scope and quality of those needs; then the output of the productive establishments - and, where appropriate, the GSU ones as well - can be regulated to correspond harmoniously with them. This is to some extent a crucial question, since our opponents choose

this as the precise point at which to direct their criticism. They declare bluntly that Communism, which seeks to replace a value-engendered economy with an economy of use, disposes of no means by which to ascertain what the needs of society are. Capitalism, of course, solves this problem spontaneously. Wherever and as soon as a greater demand for certain products arises, this makes itself felt in the market in the form of an increase in the prices of the relevant commodities. Since the resulting higher profits then attract investors, capital tends to flow towards that sector of production in which those articles are produced, so that the increased demand is satisfied relatively rapidly. A reduction in demand has, of course, the opposite effect upon production. In this way the *market mechanism* fulfils the function of a regulator of demand.²

It is a well known fact that this market mechanism is not the innocent tool that it appears at first sight. For it is precisely this mechanism which forms one of the nodal points through which the colossal production crises of capitalism express themselves, crises which deliver over thousands to a life of hunger and want and which also form the source of imperialist rivalries which drive millions to their death on the battlefield.³ Nevertheless, the market is, and has been in the past to an even greater degree, an indicator of demand under capitalism. Communism, on the other hand, knows nothing of markets, also price formation and supply and demand are unknown to it, so that it has to make do without these well-known mechanisms. It was in this sphere that the notorious "devourer of Communists", L. Mises earned his laurels, to the accompaniment of thunderous applause on the part of his worthy peers. With the following words he proved the economic impossibility of Communism:

"Where there are no free market relations, there is no formation of prices, and without formation of prices there can be no 'economic regulation'"

(L. Mises: "Die Gemeinwirtschaft" ["The Socialised Economy"], Jena, 1922, p. 120).

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

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

(M.Block: "La Théorie Marxiste de la Monnaie" ["The Marxist Theory of Money"], pp. 121-122)

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

Before we can look more closely into this question, we must first come to grips with the two distinct characteristics possessed by the capitalist and the Communist modes of distribution respectively. In the above passage we have conceded that, under capitalism, the market functions as an indicator of demand. A closer examination of the matter, however, shows that this is true only to a limited degree. Under capitalism, labour-power is a commodity, with a more or less definite market price. This price revolves around the subsistence minimum needed by the worker. Out of the price yielded by the sale of a particular unit of labour-power, the wage, that labour-power is reproduced, and therewith the matter has an end. The social product may grow to an immense degree, but the worker still receives only his

subsistence minimum. Of course, his needs may have become greater; they are, of course, stimulated precisely by the greater mass of products available, most of which are in any case for him unattainable. Capitalism may refer in as generous terms as it likes to its precious market mechanism, which is supposed to function as an indicator of demand; *in reality it does not take these needs into account*, or at least knows them to a far lesser degree even than do those who would seek to replace the market by a statistical apparatus. For capitalism, it is not even necessary for the market to be known precisely, because in the final instance, and particularly as far as the proletariat is concerned, it produces not for need but for profit. In other words, as far as the proletariat is concerned, the famous market mechanism moves only within the narrow limits prescribed by the *subsistence minimum*, whilst any knowledge of demand in the Communist sense of the word is quite unthinkable. The bourgeois economists know this perfectly well. Block says in this connection:

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

(M.Block: *ibid*, p.122)

Communist society, on the other hand, knows only of an equal scale of distribution of the social product amongst all consumers. With this system, labour-power has ceased to be a commodity which bears a price. With the growth of the social product the share accruing to each individual automatically becomes greater if in each single product the principle of a direct relationship of the producer to the product is given full expression - a situation in which prices cease to have any meaning. Thus we now see that the establishment of the hour of average social labour as the unit of economic regulation and control has as its necessary twofold purpose i) to place the reproduction of the impersonal part of the productive apparatus on sure foundations; and ii) to order the distribution of consumption goods.

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

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

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

Those economists who represent the view that the market mechanism is an indispensable feature of any society continually make reference to the alleged fact that, if the market is absent, demand is impossible to ascertain. By this kind of demand, however, is meant those subjective vagaries of fashion which can change so suddenly because the

capriciousness of popular taste is so often revealed in the capriciousness of their real or imagined needs. In this way a new demand can quite suddenly push itself into the foreground or another equally suddenly disappear. The leaps and contorsions so often apparent in the sphere of "fashion" provide instructive examples of this. It is, allegedly, the market which provides the productive apparatus with the means for adapting itself to all these twists and turns, and in this way to satisfy every kind of whim expressed through demand.

The above-mentioned critics wield a strong argument against Communism when they make the point that it would doom the spontaneously creative element in social life to a rigid immobility and ultimate death. And they have a degree of justice on their side when they polemicise against the official brand of "communism", i.e., that which would seek to measure demand "with all the means at the disposal of highly organised consumer statistics" and which is characterised by centralised administrative control over production and distribution. The fact is, of course, that the flow of creative energy in social life is not amenable to statistical control or measurement, and its richness resides precisely in its variety and manysidedness. The aim of encompassing social needs in statistical form is completely meaningless. Statistics are capable of ascertaining only the most general social tendencies, and they are totally incapable of comprising the myriad detail which is embodied in the particular and the special. It is for this reason that we can say that a mode of production controlled by consumer statistics could not possibly be production for need, but only a production in accordance with certain norms which the central administration would lay down in accordance with the directives of those old acquaintances of ours, the subsistence or "minimum standard of living" sociologists. The objections of our critics are scattered like so much straw in the wind as soon as production and distribution lie in the hands of the producers themselves. The organisation of the consumers in their consumer cooperatives and in direct communication with the productive organisations is a relationship which

permits of complete mobility. This mobility would comprise and comprehend directly the changed and changing needs of individuals, who would transmit these directly to the productive apparatus. Such a direct connection would be made possible only because no state apparatus preoccupied with "price policy" would be present to interpose itself between producer and consumer. To each product would be given its own specific reproduction time, and this it then carries with it on its journey through the social economy. In whatever form a product is to be created, the appropriate demand is communicated by the distributive organisations to the productive establishments. This is the entire secret as to how production organised on the basis of the Communist mode of production and distribution renders the market mechanism superfluous.

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

In the production process each productive establishment calculates its consumption needs by means of the production formula $(p + c) + L$. The total production process is made up of the total of all productive establishments, which we express in the formula $(P + C) + L = TSP$. The same system which is valid for each separate productive establishment is also valid for the total system of production. If

it is the case that for each productive establishment and for each separate productive set of conditions, the average social production time has been computed, then in the same way the sum total of all production times must be represented in the total product (TSP). The following principles then apply to the distribution of TSP: each individual economic establishment, whether it be of the productive or of the GSU type, at first withdraws from TSP as much p as has been calculated for it in its production budget. As soon as this has been carried out for all economic establishments, they have replaced once again their consumption of p , and therewith p has been distributed in a fully correct proportion.

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

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

CHAPTER VIII

PRODUCTION ON AN EXTENDED SCALE, OR
ACCUMULATIONAccumulation as a Social Function

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

Under capitalism the extension of the productive apparatus, or accumulation, is a motive and responsibility of the individual capitalist group. Whether or not and to what degree the productive apparatus is to be renewed is decided by it alone. With the elimination of private property in means of production, however, accumulation assumes a social character. Society itself then decides how much product or how many labour-hours are to be deducted during the coming production period from the total labour yield and invested in the further extension of the productive apparatus.

Thus the problem confronts us as to how this deduction is to be carried out. The solution generally adopted, such as has been applied in practice in the two examples of Soviet Russia and Soviet Hungary and such as has also been afforded definitive status in the theoretical literature, is implemented by means of an increment added to the prices of products to take account of the needs of accumulation. If we have already been at pains to demonstrate that a price policy infringes the principle of a direct relationship of the producer to the product of his labour,¹ in just the same way as this occurs under capitalism; and if this can then serve as a means for concealing the true state of affairs in economic life, in an exactly analogous way can it now be demonstrated that by this means both the production budget and the indices controlling accumulation come to be veiled in mystery. If it is necessary to determine how much labour, over and above the needs of simple reproduction, society needs to deploy for the purposes of investment in the extension of the productive apparatus, then it is necessary to know as a first requirement how much labour has been absorbed in simple reproduction.

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

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

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

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

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

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

(To achieve a simplified representation, we have

not included the Mixed Establishments in the formula; in principle this makes no difference).

Now however, in the new situation, individual consumption must be reduced by a factor of $0.1(Pt + Ct)$, whereby a mass of products equivalent to $L - 0.1(Pt + Ct) - (Pu + Cu)$ would remain available for consumption. With a 10% expansion of the productive system, the Factor of Individual Consumption (FIC) would be modified as follows:

$$FIC = \frac{L - 0.1(Pt + Ct) - (Pu + Cu)}{L + Lu}$$

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

The Application of the Accumulation Fund

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

economic process itself; they are prescribed by the very laws of motion which underlie the production of the product stream itself. For that reason their movements are circumscribed within firmly defined limits.²

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

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

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

An example of an irrational mode of allocating

accumulation would be, for instance, if each productive establishment were to receive an increase of 10% in (P + C) without any account being taken as to how much of this expansion was really necessary at any given stage of economic development. Should such an industrial establishment form part of a production group or "guild", the practical outcome of the application of such a measure would be that the associated industrial establishments would together take steps to form an accumulation fund for the entire guild. The relevant industrial organisations would then decide according to what method and to which industrial establishments that fund would be applied. In one case they could decide that underproductive establishments should be better equipped in order to enable them to reach the average level of productivity, whilst in another case a more rational decision might be not to add any new material resources whatever, and instead to take measures to eliminate the relevant establishments altogether. The power to enact these decisions must, however, lie in the hands of the producers themselves if a situation is to be avoided in which a screwing up of productivity is directed against their interests, as occurred in Hungary. In each and every such case an extension of production or any increase in productivity - factors which stand in organic association with a quantitative extension of the productive apparatus or a qualitative improvement in its technological level - must be the result of consciously determined measures taken by the producers themselves.

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

In the early inceptive period of a Communist

economy, it is likely that decisions not to engage in accumulation would occur quite frequently. For Communism will require a different disposal of industrial resources to those which we know today. Many types of factories will become superfluous, whilst in the case of others there will be too few. With the establishment of a Communist economy, the subordination of production to real needs is brought to the forefront of attention; a colossal organisational and technical labour is then commenced upon, which almost certainly will not proceed without its disagreements and frictions. Thanks to the twice and thrice-blessed "market mechanism" so beloved of capitalism, which allegedly has matched production to needs for centuries, the proletariat is, at the very moment of its assumption of social power, burdened with a productive apparatus in which at least half of all labour-power required to be expended in its operation is wastefully and unproductively applied, and which is matched not to the real needs of the millions of workers, but only to their intrinsically limited purchasing power.³

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

The conversion of production to the satisfaction

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

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

The first and inceptive stage of Communist production will thus be characterised by a pronounced growth of certain branches of the economy and an equally pronounced shrinking of others. Under these circumstances, there will be no question of a homogenous and uniform rate of accumulation for all

sectors of the young Communist economy. Nevertheless, irrespective of any muddle which might quite likely attend the feverishly rapid conversion of the economic base, the proletariat should not allow itself to be seduced into renouncing its foremost birthright: its right of disposal over the productive apparatus and the Accumulation Fund. Even a possible uneconomic or irrational mode of allocating the latter would be justified if it is found to be an unavoidable outcome of serving and applying that higher principle.⁴

Special Forms of Accumulation

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

"On the basis of social production, it would be necessary to determine to what extent it was possible to pursue those operations,

which withdraw labour-power and means of production for a relatively long period without providing any useful product or useful effect during this time, without damaging those branches of production that not only withdraw labour-power and means of production continuously or several times in the course of a year, but also supply means of subsistence and means of production. With social production just as with capitalist production, workers in branches of industry with short working periods will withdraw products only for a short time without giving other products back in return, while branches of industry with long working periods will continue to withdraw products for a long time before they give anything back. This circumstance arises from the material conditions of the labour-process in question, and not from its social form."

(K.Marx: "Capital", Vol. II, Pt. III, Chap. XVIII; Penguin Books; p.434).

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

(K. Marx: "Capital", Vol. II, Pt. II, Chap. XVI; Penguin Books; p.390).

In the above paragraphs the problem is set forth with the greatest clarity and the solution in general terms is simultaneously given. Nevertheless, it is no more than a loose and generalised solution, which still requires to be given a more concrete form. And here once again there is a parting of the ways between the contending views. On the one side we have the Social Democratic and Bolshevik defenders of nationalisation or central economic administration, and on the other side the representatives of the Association of Free and Equal Producers. In just the same way as contemporary vulgar "Marxism" considers a central economic administration to be an essential instrument in making provision for the necessary social costs, so also does it consider this to be necessary for the solution of the problem posed above.

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

subsidiary ones - these methods we are able to find in the already oft-quoted Hilferdingian recipe:

"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, p. 1 [German Ed.], page 28 [English Edition]).

We have already indicated above to what extent and to what purpose such statistics suffice, how in the realm of theory they amount to no more than a blueprint for a communism of the prison-camp, and how in the realm of practice they must for that reason inevitably collapse the moment they are put to the test.³ Over and above this, however, it is clear that such statistics only serve any purpose when they are based upon a system of economic regulation and control through social book-keeping. A system of statistics which indicates how many tons of coal, grain, iron, etc. have been consumed, whether measured by quantity, by weight or by whatever other unit of measure and in respect of whatever goods, is for the purposes of a social regulation of production and distribution *completely valueless*. One may conjure up as many sophisticated indices and formulae as one wishes, if the fundamental unit of measurement is not one based upon social relations, is not one which expresses *the relationship of the producer to the product*, then each and every method of statistics dreamed up for the purpose of regulating social production and reproduction can only be quite worthless. The whole meaning and purpose of the social revolution is precisely that it is concerned with transforming, indeed *turning upside down and*

placing upon its feet, the existing capitalist relationship of the producer to the product. It was the great achievement of Karl Marx that he perceived this relationship in all its historical significance, and then proceeded to develop it into an exact science in application to the capitalist mode of production. With the transformation of the social order the relationship of producer to product is also transformed, and the new mode of production requires precisely that a new definition of this social relationship be elaborated.

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

The lords of the statistical apparatus do not consider even for a moment the possibility of establishing the new relationship, and for that reason it does not even occur to them to introduce the system of labour-time computation. Instead, they make use of the old established categories and methods of capitalist society, such as the market, prices, commodities, money - tools with which it is impossible to ensure control even over simple reproduction. The state-capitalist system has not the faintest conception of just how much labour-time has been consumed in a particular sector of production, and even less idea how much labour-time has been consumed in order to achieve simple reproduction! ⁴

That a state-communist - or, even more to the point, a state-capitalist - social system might find the means to compute in advance "just how much labour, means of production and means of consumption it can employ without causing any disruption to any other branch of the economy - such as would occur, for instance, with the construction of railways over a longer period of time without any compensating supply of means of production or consumption or any other useful social service being rendered" - this,

of course, would be for such a social system completely out of the question! These problems it must and would solve in the same manner as that by means of which they are solved under capitalism: by anarchic and arbitrary rule of thumb. The damage thereby inflicted on other branches of production would then have to be made good by whatever means lie to hand; clearly this offers no solution to the problem; in fact, it amounts to leaving affairs as they were under the old system.

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

Should, for instance, the construction of a new railway prove to be necessary; the first step would be the drawing up of a budget in which is indicated how many labour-hours this operation would consume and the number of years over which it would be spread. Should the decision be taken by the Economic Congress of Workers' Councils to set this operation into motion, society would then have the responsibility for making the necessary resources available. The operation would, of course, be classified under the category GSU, it would require, say, from 3-4 years for its completion and thus, during this period, would require to consume a

variety of products without any compensating ability to supply any service in return. As soon, however, as the quantity of labour-hours to be expended each year becomes known, this can then be deducted from the Factor of Individual Consumption (FIC) in the GSU account, and therewith society has made available out of general production the total product equivalent of labour-hours required for pre-producing this special unit of accumulation. All possible causes of disruption or disturbance to other spheres of production are thereby avoided, whilst simultaneously the principle of an exact relationship of the producer to the product is not infringed.

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

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

In order to render this category in comprehensible form, we must first of all conceive in our minds the simplified model of a Communist economy developing on the basis of simple reproduction. From out of the regularly recurring demands submitted by the distribution organisation, which of course exercises the responsibility for combining the myriad

individual needs reaching it from the economy at large into a single combined total, there arises over a period of time a productive apparatus adapted to the satisfaction of those needs. If it is likewise assumed in our simplified model that variations in the productive apparatus arising out of changes in the objective conditions of production do not occur, such a mutual integration and adjustment to each others needs on the part of the many industrial establishments concerned would make it possible to conceive of such a productive apparatus as being in a condition of *virtual immobility*. In such a case, the distribution of labour resources would also be stationary, whereby, as a natural course, changes by individuals from one place of work to another would appear to be quite possible and routine.

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

It is also this which justifies the assumption that extraordinary construction operations such as those described above will not cause difficulties for a Communist society on anything like the scale that they entail for capitalism. This is related, of course, to the willingness of the producers to carry out such exceptional works. After all, it is they themselves who will adopt the necessary decisions through their relevant organisations.

A further question to be considered is whether, expressed in capitalist terms, sufficient labour resources would be available for the carrying through of such special construction operations. We emphasise on purpose the words "expressed in capitalist terms", because a capitalist economy is able to make use of the reservoir of surplus labour which is always available to it through the industrial reserve army, whilst such a thing would be a monstrosity under Communism. Thus, whenever Communism seeks to organise such special construction operations, it must take the required labour resources from one sphere of employment and redeploy them at the new one; in other words: it must carry out a regrouping of labour resources.

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

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

CHAPTER IX

THE SYSTEM OF GENERAL SOCIAL BOOK-KEEPING
AS THE IDEAL METHOD OF INTEGRATING
THE ENTIRE ECONOMIC PROCESSThe Labour-Hour as the Foundation of the
Production Budget

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

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

This passage offers in a few bold outlines a genial representation of an economy forged into a single unit; production and reproduction are fused together within a single organisation. Existing today under the direction of a consortium of capitalist magnates - what stands in the way of the state assuming command over such a structure tomorrow? But Hilferding also declares that the economic categories of capitalist economy - value, price, money, the market - will be eliminated and made purposeless through the organisation of the economy on the foundations of such a system. At the same time, however, he has not a word to say as to what will take the place of these categories. Nevertheless, he does declare that, in the case of the "general cartel", the magnates of capital will rule through their control over finance capital, whilst under Socialism the state commissioners will determine and administer the economic process "with all the means of statistical science at their disposal" (R. Hilferding: "Das Finanzkapital" ["Finance Capital"], *ibid.*; p.1 (German Ed.), p.28 (English Ed.). Concerning the system of statistics itself, through which it is intended to replace value, price, money and the market, he says nothing. Although Hilferding distains to declare himself clearly on these matters, one must

nevertheless enrol him into the school of "natural" economists within which Neurath, Varga and others must also be included, and which would seek to control the processes of production and distribution by means of the notorious system of production and consumption statistics which dispenses with the application of any economic unit of social regulation and control. We have already seen what characteristics such a brand of "socialism" would possess when we considered the Faurean system of "universal happiness".

It is unnecessary to investigate further the impossibility of such an economy; we will make only the additional point that even the "general cartel" described by Hilferding cannot manage without a computed unit of economic regulation and control. If Hilferding has clearly demonstrated how money becomes superfluous in a consciously organised economy, then it is also clear that only the labour-hour can function as its replacement. Communist economy must rest upon the foundation of labour-time computation, any other unit measure of accounting control is out of the question. Thus it becomes necessary for society to compute "how much labour each useful article requires for its production" (F. Engels, "Anti-Dühring").

As our criticism of Kautsky has demonstrated to complete satisfaction, this is quite impossible to carry out from the offices of a central economic authority. The procedures associated with labour-time computation must therefore be effected through the agencies of the locally based organisations themselves at the place of work - at the factories, works, offices, etc. A system of social accounting based upon the computation of average social labour-time, uncompromisingly implemented, and applied to both tangible products and services, provides the firm foundation upon which the entire economic life of the producer-consumers must be structured, directed and administered.²

The strict application of the category of average social production time which, as here expounded, moves and develops wholly on the foundations of Marxist economic theory, leads to an

organic union of economic life in its entirety. The economic organism emerges as a system in which all the antagonistic motivations of capitalist commodity production have been eliminated, that is to say, as a system designed solely to promote the struggle of humanity as a whole against nature. Within this system the stream of products moves wholly in accordance with the laws of motion established by labour equivalents: "a certain quantity of labour in one form is exchanged for an equal quantity of labour in another form". At the end of the chain of production the finished product available for disposal in the hands of the consumers has required for its production the total production time applied, neither more nor less, from the very beginning to the very end.

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

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

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

(O. Leichter: "Die Wirtschaftsrechnung in der sozialistischen Gesellschaft", ["Economic Regulation and Control in a Socialist Society"], p.68).

Practice will indeed have a decisive word to say in this matter. In principle, however, it must be said that a mode of payment by "spot settlement" effected through Labour Certificates would represent a fundamentally wrong solution. Firstly, because it fulfils no essential purpose, and secondly because an on-the-spot or "cash" method of settlement would introduce serious hindrances into the system of social regulation and control over production.

The intervention of Labour Certificates into relations between the productive establishments is wholly superfluous. In every case in which a factory delivers its end product, it has handed on $(p + c) + l$ labour-hours to the chain of partially completed use-values. These must then be taken up immediately in like amount by the receiving establishment in the form of new p , c and l , in order that the next labour or production process may commence. Thus the regulation of production in accordance with this system requires no more than a registration of the stream of products, as this flows through the total social production system. The sole role of Labour Certificates is to function as the means to enable individual consumption in all its variety to be regulated according to the measure of labour-time. A part of the total "yield" of any individual unit of

labour is, in the course of daily economic life, already consumed through the processes of socialised distribution, i.e., reproduction, whilst only a certain proportion of that total can make its way in the form of Labour Certificates into the hands of the individual consumers and be expended in accordance with the production times stamped upon the separate consumption articles. We have already observed that the mass of Labour Certificates issued becomes continually smaller as the process of socialisation of distribution proceeds, finally to reach a figure of nil.

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

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

"Book-keeping, however, as the supervisor and the ideal recapitulation of the process, becomes ever more necessary the more the process takes place on a social scale and loses its purely individual character; it is thus more necessary in capitalist production than in the fragmented production of handicraftsmen and peasants, more necessary in communal* production than in capitalist."

(K.Marx: "Capital", Vol.II, Pt.I, Chap.VI; Penguin Books; p.212).

This is book-keeping pure and simple, and nothing more than book-keeping. Although it is the central point at which all the various strands of the

economic process come together, it nevertheless wields no power over the economic system. The system of general social book-keeping is itself an economic organisation of the GSU or "public" type, which has as one of its functions the responsibility for regulating individual consumption through the calculation of the Remuneration Factor, or Factor of Individual Consumption (FIC). It imparts neither any right of management or administration of, nor any power of disposal over, the economic system as such. These functions lie solely in the hands of the producer-consumers. The indigenous Workers' Council situated at the establishment responsible for general social book-keeping has authority in one such establishment only, and that is its own. This is so, however, not because of this or that decree, nor even because it is in any way a reflection of any kind of good will on the part of the workers who work in the Exchange and Settlement Office, but is determined objectively by the economic process itself. It is so because, amongst other things, each economic establishment or production sector is responsible for its own reproduction, and because each individual worker has, through his contribution of labour, simultaneously determined his relationship to the social product.

Basis of statistics, control also appears as a function of administrative decision. In a system based upon the Association of Free and Equal Producers, with labour-time computation as the basis of production and in which the distribution of all products is determined objectively by the process of production itself, the processes through which control is implemented also assume an exact form. Such a system of control takes into account all the separate elements represented by production, reproduction, accumulation and distribution, and proceeds to a certain extent automatically.

In his book "Die wirtschaftspolitischen Probleme der proletarischen Diktatur" ("Problems of Economic Policy in the Proletarian Dictatorship"), Lange provides us with a description of how control is implemented under the system of state socialism. He writes: