CHAPTER X

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

The Method of Control by Subjective Administrative Decision

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

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

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

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

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

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

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

What Varga here terms "control over production" is in fact the result of combining under one heading two completely separate functions. The one relates to control in the book-keeping sense - control over the account books. This is merely a matter of debit and credit. On the other hand, it also relates to the question of technical control; this concerns itself with the continual and ever-increasing rationalisation of production throughout all stages, with which is associated the achievement of the highest possible degree of efficiency in each productive establishment. With Varga both of these fundamentally different functions are united in the one control authority, which for a Communist economy is fundamentally wrong. This becomes self-evident - incidentally revealing the true character of the Hungarian Soviet Republic described by Varga - when

it is considered that the system of control over the production process is clearly shown to consist of a combination of two quite disparate functions: on the one hand, rationalisation measures and, on the other, the recording of the results of those measures in book-keeping form. Control card systems, time-clocks, the Taylor system[1] and an ever faster-moving production line form the milestones marking the progress of this system of rationalisation which is simultaneously a system of control - but one which serves a superior power to make effective its control over the labour which has been placed at its disposal. Under these conditions control of production means control over the producers, to determine if the results of their labour are sufficiently profitable, if they yield a sufficient surplus for the purposes of the commanding authority which lords it over the economy. This form of control bears the character of a system of domination over the producers.[2]

Objective Methods of Control

The method of production control applicable in a society of free and equal producers is a fundamentally different one. There also measurements pertaining to work processes and mechanisation of the labour process, such as production lines, will exist, but now these will be technical measures for achieving and implementing the best working methods, desired and applied by the workers themselves in their respective productive establishments. This is the case because, behind these measures, there stands not the whip wielded by the central commanding authority, which is motivated by the aim of achieving the greatest possible surplus, but the autonomous interests of the producers themselves, who with every increase in the productivity of their labour simultaneously increase the total stock of useful articles available for society as a whole, to which stock all workers have an equal right.[3] And it is here that the tasks discharged by the establishment responsible for social regulation of and control over production begin. The system of social book-keeping, which of course is the clearing-house for all

incomings and outgoings of the separate productive establishments, must keep watch over the incoming and outgoing stream of products, to ensure that these correspond with the productivity norms which have been determined for each respective productive establishment. Since under Communism there can be no economic secrets, and since accordingly the reports issued periodically by the Office of Social Book-keeping make publicly known the production situation at each separate productive establishment, the question of control is thereby solved. It simply ceases to be a problem.

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

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

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

Factory 1....(p1 + c1) + X1 kg. Product
Factory 2....(p2 + c2) + X2 kg. Product
Factory 3....(p3 + c3) + X3 kg. Product
Factory n....(pn + cn) + Xn kg. Product
Tot.Prod'vity(Pt + Ct) + Xt kg. Product

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

$$\text{Av. Soc. Prod. Time} = \frac{(Pt + Ct) + Lt}{Xt \text{ Kg Prod.}}$$

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

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

The question must now be asked as to whether or not, when a production cooperative is formed, the producers must inevitably lose their right of control over production; in other words, whether or not a centralised group authority must as a matter of

course arrogate to itself all power over production. Without doubt dangers are lurking here, since at any given moment there remain powerful tendencies inherited from the capitalist mode of production making for the concentration of powers of control in a central authority. In the case of the production cooperative, for instance, attempts will almost certainly be made to vest authority over the application of the accumulation fund in the hands of a central management body. Should this ever actually come about, the separate productive organisations would no longer have any decision-making authority. It is also possible that an attempt will be made to establish such a central authority for each production group, which would then dispose of the right to distribute the incoming production tasks amongst the various associated establishments, as well as to hold control over the total final product. The indigenous factory or works organisations would then become no more than the executive organs of the central administration, which would mean that for them only the maintenance of the system of book-keeping internal to the establishment would remain as their sole necessary task. To what extent matters might come to this pass would depend upon the degree of insight and energy brought to bear by the producers themselves. Certain it is that no progress will be possible without a sharp struggle against these tendencies. Whatever fine-sounding slogans may be bandied about, independent administration and control remain the mandatory demand from which the free producers must on no account depart.

Thus the productive establishment appears as an independent unit which itself cements its relations with other productive establishments and consumer cooperatives. In this way the producers hold full responsibility in their hands, and the necessary leeway is given within which independent initiatives may move and breathe, and for the creative energies springing from the liberated working masses to enjoy full scope. The significance of the system of horizontal coordination is thus no more than a matter of the accounting control which is necessary for determining Average Social Production Time and, in association with this, the degree of productivity of the separate productive establishments comprising the

cooperative. However, matters must not be permitted to remain static at that stage of development, but a process of mutual technical interpenetration and interdependence must also come to be established. However important in itself this process may be, it must nevertheless remain subordinate to the decisive and principled demand for independent control. And that is a matter concerning which we can join hands with Leichter in affirming: "At first glance one will assume that each separate productive establishment is more or less independent; the moment one looks a little more closely, however, one will recognise quite clearly the umbilical cord which joins each separate productive establishment ... with the rest of the economy." However, the universal, all-regulating bond which in reality unites "each separate productive establishment with the rest of the economy" is *the formula for production and reproduction*. It is this which places all industrial establishments on the same foundation; production for the purpose of securing the conditions necessary for the reproduction of the economy represents the common foundation uniting all productive establishments.

Control by Means of the Registration of the Stream of Products

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

With the revolutionary transformation of social relations, private property in means of production is eliminated and these come into common ownership. The *legal relationship* of the industrial organisations to society then becomes one in which the former then accept control over means of production in an administrative capacity. This means that the industrial organisations disclose their inventories and then indicate how they propose to employ their means of production; what this amounts to is that they submit to the Office of Social Book-keeping a production budget drawn up in the form of (p + c) + ι = X kg. product. The Marxist demand for a system of social book-keeping then finds its realisation in the form of the totality of the production budget: "Their stock-book (i.e, society -

The Authors) contains a list of the objects of utility that belong to them, of the operations necessary for their production; and lastly, of the labour-time that definite quantities of those objects have, on an average, cost them".

If the total social inventory is given in the form of the totality of the various production budgets, by this means it then becomes obvious that the various participating industrial establishments are therewith brought under social control. Production in an industrial establishment is a continuous process. On the one hand, as input, various products flow into the establishment (this includes labour-power), in order that, on the other hand, they may leave the establishment in a new form (output). Each such transformation of material values, however, is registered in the system of general social book-keeping, in the form of an entry of product exchange, and by this means a survey of the incomings and outgoings, the debit and credit of any particular establishment, is readily available. Everything which is consumed by the establishment, such as means of production, raw materials or Labour Certificates, appears as an ingoing entry, and everything which is transferred to society appears as an outgoing. As continuous streams these two must correspond fully with one another, must cancel each other out. By this means an immediate check is at any time available as to whether or not, and to what degree, production is proceeding smoothly.

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

that the establishment concerned has been operating at a higher level of productivity than had been estimated in the production budget; its productivity factor will consequently be revised in an upwards direction.

The opposite can also occur. The system of social book-keeping reveals a deficit in the output of a certain industrial establishment. This leads in exactly the same way to a revision of the productivity factor and the separate production elements, p, c or L of this establishment. It is also possible that the average labour intensity of an industrial establishment may lie below the norm, or that production management is in the hands of an incompetent works administration. The extent to which such infringements against the interests of society occur can to a large extent be determined by means of the formula [5]

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

in association with the establishment's production budget. Should it be shown in practice and proved by the appropriate organ of the proletarian dictatorship that an actual case of negligence in production control has occurred, measures would then be instituted against the establishment administration in question, in accordance with the appropriate legal enactments laid down by society.

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

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

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

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

To begin with, **control over the category labour-power**, represented by the letter L in the production formula, is made effective by very simple means. The issuing of Labour Certificates is accepted by the industrial establishment in question only in respect of that labour-power which has been directly expended productively on its own behalf. If we consider that the production budgets are also maintained by the Office of Social Book-keeping, then the following points are immediately revealed: 1) whether or not the amounts revealed as having been

expended in respect of Labour Certificates issued lie within the limits imposed by the budget; or 2) whether or not the relationship of the Labour Certificates issued to the quantities either of raw materials consumed or of end-product delivered corresponds with that indicated in the production budget. It is, for instance, already known how many tons of, say, coal will be produced per miner, that is to say how many directly expended labour-hours accrue to any one unit of production.

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

This, however, is not our concern but that of the Office of Social Book-keeping. For our purposes it is sufficient that the categories comprising the production formula (p + c) + ʟ may be given their appropriate registration smoothly and without hindrance, so that in this way each may be supervised and controlled separately whenever

necessary. The category c in particular moves only within the limits set by the production budget and must stand in correct relationship to the category ʟ as well as to the end-product produced. Any wasteful expenditure of raw materials can thus be uncovered, not only by the production sector concerned, but also by the system of social book-keeping.

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

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

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

The entire process of control therefore consists in nothing other than that the various transfers of use-values and the acceptance of Labour Certificates for issue, *that is to say the objective process of production itself,* provides a check upon, and so controls, the production formula. Next we have the end product produced, the result of the objective process of production. This subjects the individual factory or works average, the overall social average and the resultant indicated productivity to open scrutiny by the whole of society. In addition to this, an effective control is brought to bear upon each of the categories separately making up the formula (p + c) + l, as a result of the entry into account of quantities representing Labour Certificates issued and transfers of use-values produced - that is to say, through the objective course of the production process itself. Finally, the reproduction process (extended accumulation), which represents and embraces *objective production as a whole,* maintains an accurate final or subsequent means of control.

In those cases in which Average Social Production Time has been calculated at too low a level, the production cooperative concerned will be

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

CHAPTER XI

THE MODE OF SOCIAL CONTROL OVER THE GSU OR PUBLIC ESTABLISHMENTS

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

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

In the early inceptive period of a Communist economy, it would be likely that only those establishments would belong to the type of GSU or "public" establishments which produce no physical product, such as for instance the economic and political councils, the health service, the education system, etc. The next stage of development would then likely be that of bringing the transport of goods and passengers into the sphere of uncompensated consumption. At a still more distant stage, the principle of "consumption according to need" might be extended to physically definable and measurable products destined for individual consumption. In the course of carrying through the social revolution, the first concern is therefore not with the immediate implementation to the greatest possible extent of the principle "To Each according to his Needs", *but with the achievement of independent administration on the part of the productive establishments and the carrying through of a system of independent production accounting and control.*[1] So soon as production is secured from this aspect, the further development of the economy to the stage of free and uncompensated consumption becomes a relatively simple matter.

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

place in the book-keeping department of the establishment concerned.

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

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

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

There are, of course, certain technical

difficulties associated with this procedure. For instance, the distributive organisations must take into account the fact that a portion of the available product will be lost, destroyed or damaged. For this reason it can in practice never arise that exactly the same quantity of Labour Certificates will have been surrendered as corresponds to the equivalent debit with the Office of Social Book-keeping. The limits within which these deficits should move are, however, easy to determine in practice and for that reason can, be adopted, for instance, as a category in the operative budget of the distributive organisation. Control over the processes of distribution is not in principle jeopardised by these unavoidable product losses, and the principle of an exact relationship of the producer to the product is not thereby infringed.

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

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

CHAPTER XII

SOCIALLY NECESSARY LABOUR AND AVERAGE SOCIAL REPRODUCTION TIME

SNL = Socially Necessary Labour [1]

ASRT = Average Social Reproduction Time

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

Turning now to Varga, it is his intention that Socially Necessary Labour (SNL) should also have a defined regulatory and accounting role to play. It is even his wish that this should find expression in the name given to the term, and for this reason he speaks of an "inherent social cost price": "By this we understand *the inherent cost price plus an additional increment provided for the maintenance of the non-labouring sections of the population, plus a further increment for the realisation of actual accumulation*. This is the solution in principle". (E. Varga: "Die wirtschaftspolitischen Probleme

der proletarischen Diktatur" ["Economic Problems of the Proletarian Dictatorship"], p.147) (Varga's emphasis).

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

$$(P + C) + L + GSU + ACC$$

Unfortunately, however, Varga does not provide any information as to how the additional increments for the GSU Establishments and Accumulation are to be determined or in what magnitude they are to be brought into relation with the rest of the schematic. For that reason it is not possible to subject the formula to any further examination. Speaking in general terms, we can only observe here that exactly the same difficulty arises as with Kautsky, and that for the realisation of these "formulae for inherent costs" a monstrous giant brain would be necessary, such as would be needed for the drawing up of the well-known "world equation" enunciated by La Place;[2] expressed in plain terms, this is as much as to say that these "inherent cost formulae" are complete nonsense. It is for this reason that it should not cause us any astonishment if the much-prized "solution in principle" was found to be incapable of any practical application in Hungary,[3] and that the demands of reality imposed there something quite different. In practice, the theory of *inherent social costs* was pushed aside by a *price policy*, from which we can draw the conclusion that in this case also the category of inherent social costs was dethroned and shown to be useless.

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

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

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

Production Time and Reproduction Time

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

To do this we must recall our original stipulation that each separate productive establishment must calculate the production time required for its product by application of the formula $(p + c) + l$; that is to say, it establishes how many hours of average social labour are contained in that particular product. Our outline then went on to show how Average Social Production Time was computed from the totality of all productive establishments joined in a single production group or

"guild". The method according to which this computation is carried out ensures the simultaneous reproduction of the entire production group, and for this reason, in place of Average Social *Production* Time, we name this the Average Social *Reproduction* Time. In this way the two in fact coincide. The difference between the *production* times of the separate productive (industrial) establishments and Average Social *Reproduction* Time is subsumed within *the Productivity Factor.*

Depreciation of the Means of Production

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

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

Let us take, for example, an industrial

establishment in which the fixed means of production have been calculated at 100,000 labour-hours; let us assume further that these instruments of production are depreciated over a period of 10 years. In such a case 10,000 labour-hours per annum must be estimated as having to be taken into acocunt in the product. However, should the Average Social Reproduction Time of the means of production fall, the result of this would be that the establishment would be able, in its reproduction, to procure either the same quantity of machines of better quality or a greater quantity of machines of the same quality - that is to say, the productivity of the establishment would have been raised. Expressed in other terms, this would mean that accumulation, or an extension of the productive apparatus, would have taken place without the deployment of an extra outlay of labour.[5]

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

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

The foundation of Average Social Reproduction Time (ASRT) is *the average social hour of labour*. It is, of course, true that this category also has validity under capitalism. Here, however, the separate and peculiar characteristics of individual use-values can find no expression in their form as commodities, since in the market the product is exchanged into money, that is to say changed into that universal commodity which eliminates all individual characteristics. Under Communism it is Average Social Reproduction Time which subsumes within itself all individual characteristics, those of slower and more relaxed workers, those who are more capable or less capable, those who labour either by hand or by brain. Average Social Reproduction Time (ASRT) is thus a category which, as a thing-in-itself, as a specific parameter, has no material existence; like the laws of nature, which express only the general within which all specific phenomena reside without themselves having any materiality, the Average Social Hour of Labour, which at the concrete level does not exist, expresses the general which is subsumed within the infinite many-sidedness of the social metamorphosis of materials.

CHAPTER XIII

THE ECONOMIC DICTATORSHIP OF THE PROLETARIAT AND THE SYSTEM OF SOCIAL-BOOK-KEEPING

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

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

the manager and administrator of production; or, on the other hand, if a Communist consciousness among the workers is so strong as to make revolutionary action both possible and necessary, to take the factories and industrial establishments forcibly under their own administration, using for this purpose the factory organisations or Councils as the essential organs of their social power. Should the latter course occur, then this will only be possible if the principles of Communist economy, as set forth in this book, come to form the foundation of the system of social production. By this means the most important part of the total social product will be taken outside the scope of free uncontrolled circulation within the orbit of the market. The lesser remaining part of social production, that of small peasant agriculture, will then be compelled by the objective conditions themselves to associate itself with collectively organised industry. In this way there would then come into being the "economic dictatorship of the proletariat", the strongest weapon of the victorious working-class.[1]

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

Communist industrial life knows nothing of the circulation of money and has no market. It administers the stream of recorded exchanges by means of the Office of Social Book-keeping (Giro-Centre). By this means all those producers who are not associated with the Office of Social Book-keeping are brought into a situation of compulsion. They are unable to procure any raw materials and means of production for their establishments. Should they wish those establishments to continue in industrial activity, then the circulation of their manufacured goods must take place through the exchange control (Giro Centre) established by the OSB. They must subordinate themselves to and participate in the general system of social production and must place

that production under the discipline of the general system of control implemented through the prescribed formula (p + c) + ʟ, the instrument through which their production is placed under social control.

By this means socially scattered and fragmented small-scale industry is compelled by purely economic means to bring its production into line with the general proletarian order. The necessary consequence of this will be that industrial establishments of similar scale and size will join together in production groups. If for no other reason, this will be necessary in order that the various Average Social Production Times (ASPT's) and the respective Productivity Factors associated with them may be determined, as well as for reasons relating to the planned procurement of materials, etc. It is also the sole method of raising small-scale production out of its backwardness. *This method of group cartelisation, however, need not deprive the small industrial or agricultural establishments in any way of their right to self-administration*; on the contrary, practice will show that the organisation of production by the producers themselves will develop in an exemplary way in this sphere also.[2]

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

CHAPTER XIV

THE AGRARIAN QUESTION AND THE PEASANTRY[1]

Development towards Commodity Production

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

However, if we observe alongside this development in industry that simultaneously taking place in agriculture, then we perceive a completely different picture. In spite of all prophecies that the same degree of concentration would also become a feature of the agricultural economy, and that the small and middle peasants would to an increasing degree be ruined and destroyed by large agrarian consortia, in reality little has been seen of such a development. Not only the middle peasants but even the small ones have managed to hold their ground, whilst nothing has been seen of any developments similar to those depicted above. In fact, the very opposite has been the case; recent decades have actually witnessed a significant increase in the numbers of small-scale holdings in agriculture.[2]

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

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

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

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

society, his labour is social labour. In the great social process of exchange, all commodity producers are bound together, they live in complete mutual dependence and thus form an integral whole.

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

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

consumption, like a peasant of the old stamp, proved to be an impossibility. Thus an increase in productivity presented itself as the sole solution.

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

In this respect, then, our economists have erred. A very understandable error perhaps, because they were able to base their forecasts only upon the known possibilities. What is especially noteworthy, however, is that it was industrial development itself, which in their scheme of things was destined to bring about economic concentration in the agricultural economy, which in fact prepared the ground for the completely different course taken by agrarian development. The chief instruments responsible for raising the productivity of agricultural production to such a significant degree were in particular *the motor vehicle, artificial fertilisers and the application of agrarian science.* As a result of modern fertilisation methods the inherent fertility of the land began to play a subordinate role, the yield per hectare grew enormously, by which means the peasant was enabled to deliver a much greater volume of commodities to the market than previously, whilst at the same time modern methods of communication provided the general means of transport. Simultaneous with the increase of the yield per hectare another factor of tremendous significance began to play a role. As soon as production has been placed on a scientific foundation, the phenomenon of specialisation makes

its appearance as a compelling imperative. "The specialist is a cave-dweller who perceives only a tiny ray of light in all the universe, but that one ray he sees extremely clearly", says Multatuli somewhere or other. Thus we see that the peasant arranges his affairs in such a way that he supplies only one particular product, but in that narrow field he achieves the very highest level of productivity of which modern science and his own financial resources are capable. He organises his production on the basis of this narrow specialisation, that is to say, he procures just those tools and equipment which he needs for that specific product.

The above describes the situation in agriculture over a large part of Western Europe. The characteristics described above are seen in their most pronounced form in Holland and Denmark, whilst France, England and Germany follow closely behind in the move towards specialisation. In the case of livestock rearing and vegetable farming in the immediate environs of the larger cities, the transition to this type of agriculture has been carried through to completion in the above countries. The peasant, or farmer, has therewith become a commodity producer in the fullest sense of the word. *He no longer brings merely his surplus product to market, but his whole output.* He produces that which he himself does not require, and he consumes precisely those products which he himself has not created. Thus he labours not for himself, but for others, for society, and with the completion of that process his labour has become fully integrated with social labour in general. The closed domestic economy has been destroyed by specialisation, and the agrarian economy has been transformed into a sector of *industrial production.*[3]

Even if the peasant has remained to some extent the owner of his own small piece of land, his general economic situation has, along with this, deteriorated to an enormous degree. Nevertheless, under favourable market conditions he can still make profitable transactions. The difference is that he is now totally dependent upon the fluctuations of the market. Furthermore, he is now highly vulnerable to

the vagaries of nature, and poor weather conditions in one year or disease in a particular crop in the next, or any one among many other factors outside his control, can ruin him completely.

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

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

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

CHAPTER XV

THE PEASANTS AND THE REVOLUTION

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

as far as the Association of Free and Equal Producers is concerned, is perhaps not as anomalous as is the relationship of the so-called "mature" industrial establishments towards Communism.[1]

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

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

One often hears the observation that the peasant would rather feed his product to his animals than sell it under conditions of compulsion. This also represents a misunderstanding, one which rests upon an obsolete view reflecting the old isolated domestic peasant economy. Apart from auxilliary adjuncts, the livestock peasant possesses nothing but livestock, whilst the arable farmer possesses grain but no

livestock, the chicken farmer several hundreds of chickens but no other livestock, the vegetable farmer only a definite number of varieties of vegetables, and so on. *They are all specialists.*

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

CHAPTER XVI

THE AGRARIAN REVOLUTION IN RUSSIA AND HUNGARY

Russia

The solution to the agrarian problem adopted in Russia holds little relevance for the development of the agrarian revolution in Western Europe. Agriculture there was still at the pre-capitalist stage of relations, typified by the large landed estates, frequently combined with a self-sufficient domestic economy. It was for this reason that, in Russia, the capitalist slogan: "All land to the peasants" meant the realisation of freedom and equality ... just as it had meant the same thing for the French peasants when they had won those rights in 1789. For them, their significance consisted in the fact that they obtained for themselves a piece of private land, on which they could live in whatever way they wished. The right demanded by the Russian peasant was that of making his appearance on the social stage as a capitalist, as the simultaneous alienator of commodities and beneficiary of production. This, of course, was also the reason why he soon began to agitate against the Soviet government and thereby won for himself full freedom of internal trade.[1]

Therewith began in Russia that capitalist development of agriculture through which we here in Western Europe have long since passed. The Russians refer with exaggerated gestures to what they call the growth of Communism on the land. By this they mean that the peasants have combined into cooperatives in order to be able to make effective use for themselves of the advantages of modern technology, a common price policy and a collective machinery for bulk purchase and marketing. By these means the Russian peasant, following exactly the path taken by his class comrades in Western Europe, is motivated by the necessity of winning for himself a strong position in the market, in order thereby to attain the highest possible profit.[2] We can see from all this that the

agricultural "communism" proclaimed with such a flourish by the Bolsheviks is in fact far further advanced in Western Europe than it is in Russia.

It is therefore no cause for wonder that we can find little of value to learn from the Russians in the question of agrarian economic relations in the Communist sense. There is, of course, no question there of any agricultural organisation being entrusted with its own management and administration, if for no other reason than that all property in means of production is still privately owned.[3]

Hungary

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

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

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

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

"The separate estates were formed into production cooperatives. The cooperatives of a given district were combined under a common district management. All such production cooperatives were combined to form the 'Provincial Management Centre of the Agricultural Production Cooperatives', which then came directly under the control of the Department for Arable Cultivation of the Supreme Economic Council. This particular form of production cooperative was chosen on account of the social backwardness of the agricultural workers. Had we declared the large estates to be simply state property, the wage demands of the workers would have been limitless, whilst the intensity of labour would have fallen to a minimum. By adopting this method, however, the possibility of exerting pressure for a certain level of labour discipline and labour intensity was obtained, on the grounds that the net yield of the estate accrues to the workers themselves.

Another result of adopting this method was that the demands of the agricultural workers that legal title to the land should become their own personal property was satisfied to some degree". ..."These concessions possessed little significance in practice, since the accounting procedures (book-keeping) were held under central administration. The intention, of course, was that, after a period sufficient for the educational enlightenment of the workers had passed, the disappropriated landed estates would be openly declared to be state property and the workers to be state employees, with exactly the same status as the industrial workers. (E. Varga: ibid, p. 105).

The Result

Such a statement criticises itself! Varga states quite openly: "Give the workers no more than the appearance that production is being managed and administered by themselves. In reality this has little significance, since we dispose of the central machinery of administration, and it is this central administration which determines, by means of a price policy, just what the net income of the workers shall be".[4] All this offers a clear demonstration of how necessary it is that the relationship of the producers to the social product be determined *in the objective production process itself*, so as to ensure that a new form of rule cannot arise behind the mask of democracy.

No purpose is served by discussing in detail the particular features of the agricultural economy in Soviet Hungary. The sole conclusion which it is appropriate to draw is that the examples of "communist" production provided by both Russia and Hungary yield a discouraging picture. In the case of Russia, the peasants acted in a purely capitalistic way. "The peasants distributed the land and carried off the agricultural means of production, whereby it was not the poorest but the most prosperous peasants who received the largest share" (Varga, page 103). In the case of Hungary, they did not act at all, which

means that up to the present we have no example of how an agrarian proletariat and the small and middle peasants might behave towards a proletarian revolution under West European conditions. Which ideology would become the predominant one in that case? Would they also participate in the revolution in an organised way, and if so in what form? We do not know. The only course open to us is to examine the attitude they adopted towards the proletarian revolutions of 1918-1923.

CHAPTER XVII

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

The Struggle Begins

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

Approaching Hamburg, there was no question of any kind of resistance being offered to the revolutionary sailors. In their hundreds of thousands workers declared themselves in solidarity with them, whereupon all revolutionary activity found its expression in the Councils of Workers, Soldiers and Sailors, and the triumphal march of the German Revolution began to move throughout the whole of Germany. And here a peculiar feature of this revolutionary development began to make itself manifest: although the military censorship had controlled all reports concerning the Russian

Revolution since 1917, and although for that reason absolutely no propaganda had been made on behalf of the Council concept, indeed in spite of the fact that the council structure of the Russian workers was completely unknown to the German workers, within a period of a few days an entire network of Workers' Councils had sprung up all over Germany!

The Revolution Spreads

The Civil War which now followed took place under the banner of Socialism. On the one side stood Social Democracy, which embraced the cause of Socialism. It understood this as a simple continuation of the process of concentration characteristic of capitalism, and which found its culmination in the *legal nationalisation* of large scale industry. Given such a motivation, it was inevitable that the council movement, as the embodiment of the self-activity of the working masses, would be seen by Social Democracy as a threat which had to be destroyed. On the other side was newly-born Communism, which conceived of the conversion of private property in means of production into socialised property as being attainable only by illegal means, that is to say as being embedded in the self-activity of the working masses themselves. The aim was the same, but the path leading to it a totally different one.[1]

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

The Stalemate

That the revolution did not develop any further can be attributed in the main to the fact that the revolutionary section of the proletariat needed all its strength merely to maintain its position over and against the mounting counter-revolution. This, under

the leadership of Social Democracy, was concerned to prevent the onset of "social chaos" and the resort to autonomous ("wildcat") nationalisation. For this reason the proletarian revolution was extremely weak.[2] Many social groups were subdued by the revolution and compelled to choose, for good or for evil, the side of the victors of the moment, whichever side that might be. Nevertheless, in the end they were all driven into the arms of the counter-revolution, since the proletariat was still divided within itself and preoccupied with its own problems.

Although this is not the proper place in which to sketch out in full the course of the revolutionary Civil War in Germany,[3] it is necessary for us to devote some attention to a brief examination of this subject, because the attitude adopted by the agrarian proletariat and the small and middle peasants towards the revolution obviously stands in close connection with that process and the entire course taken by the revolution.

The Role of the Peasants

The first characteristic to be noted here is that the peasantry did not constitute a strategic factor of any real significance in the revolutionary process. They were, for instance, unable to develop their own independent organisations capable of playing an independent role. They also failed to form their own independent Councils, except in Bavaria when the dictatorship of the proletariat was proclaimed there. In that latter case, the peasants were forced to adopt a position which caused the same phenomenon to make its appearance as in the case of the proletariat: they failed to assert themselves as a united force. A section of the peasantry chose the side of the revolution, the other section opposed it. Unfortunately we do not have at our disposal any data concerning the social character of those formations which took up their position on the side of the revolution, nor of any accurate numerical estimation of the forces concerned.

With the exception of Bavaria, the peasantry barely played any role in the revolution. There was

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

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

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

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

development in agriculture precludes the validity of any measures for distributing the land.[5]

The agricultural workers who work on such estates form the true agrarian proletariat. The perspective they face is the same as that confronting the industrial workers, that is to say, the prospect of "the appropriation of the whole of industry in the name of society". If the industrial proletariat was proved in practice to be too weak to tackle seriously the revolutionary tasks associated with the achievement of Communism, in the case of the agrarian proletariat matters did not develop even to the point at which those tasks could be posed. The agrarian production relations themselves ensure that thousands of proletarians are unable to acquire the necessary qualities of solidarity within a small occupational area, with the result that a common front of struggle can come into being only with the greatest difficulty. For this reason, the agricultural proletariat did not succeed in forming, or was barely able to form, its own Councils, and thus its role in the German revolution was barely of any significance.

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

The characteristic feature of which to take note at this point is that this semi-proletariat came to represent a force in the revolution which nothing could hold back or intimidate. Time after time they

were in the vanguard of the movement; it was they who were in the fore during the uprising and marched to all the neighbouring cities in order to give the struggle a broader base. Thuringia is a typical example of this. Additionally, these workers fulfilled an exemplary role in the task of supplying the cities with essential foodstuffs. At the beginning of the revolution, when the Councils still held power, the peasantry tended to hoard these foodstuffs in order to screw the prices up as high as possible. In order to take measures against this, the Councils in the cities made contact with the Councils holding power in the neighbouring factories in the countryside, and the semi-proletarians, who were fully acquainted with the situation there, brought measures to bear to compel the peasants to release their products against fixed prices. This, for instance, is what occured in Hamburg and district.

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

CHAPTER XVIII

THE PEASANTS UNDER THE PROLETARIAN DICTATORSHIP

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

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

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

However this may be, the decisive factor will be the cooperative organisation of the peasants into village communes, which in the last analysis will be nothing other than the outcome of combining together the productive organisations at present existing in the form of the various individual farmsteads. Of their own initiative, however, the peasants will not achieve this, so that, in addition to a very persuasive propaganda campaign, the economic dictatorship of the proletariat must compel measures which guarantee such a development. These measures would ensure that such essential supplies as agricultural implements, seed, artificial fertilisers, petroleum, etc. would be supplied only to those agricultural organisations which had taken the decisive step of combining into village communes. The firmer the industrial proletariat holds power, the more certain will be the eventual carrying through of autonomous organisation within the peasantry.[1]

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

agriculture as they do in industry (see J.S. King: "Cost Accounting Applied to Agriculture").

Nevertheless, the fact remains that, in this matter, we are standing at the very threshold of a long development. When one considers, however, that this young science began life only in 1922, then one sees that it is a cause for amazement to observe how rapidly such general principles, valid in both the industrial and the agricultural spheres of production, have established themselves. What this proves above all else is that, in reality, the fundamental character of the two production spheres is the same, and that agricultural production has long since made the transition to industry. It is true that the weight of tradition still makes itself felt here as an inhibiting factor, but the disadvantageous financial situation prevailing in agriculture throughout most of Western Europe will undermine this influence very rapidly.[2] Whoever comes into closer contact with the peasants will know that in their case the old "truths" are rapidly being exposed as fantasy and new ones are continually being born in their place. Of course, this does not bear any relation to Communist production, but it does find application in such measures as rationalisation, modern industrial management and the formation of cooperatives. As far as the Communist mode of production is concerned, the signficance of this lies in the fact that the objective conditions for a many-sided implementation of the system of average social reproduction time are developing very quickly.

There remains of course always an appreciable difference between industrial and agrarian production. In the main, these are due to the differing natural production conditions. For instance, the incidence of rainfall or drought, plant or animal diseases and so on, play a role in agriculture, so that the productivity of agricultural establishments cannot be so exactly forecast and estimated as is possible in industry. Nevertheless, comparisons of productivity between the separate establishments are perfectly possible (see again: J.S. King: "Cost Accounting Applied to Agriculture"), and such comparisons are made even today. This,

indeed, has already become the acid test for rationalisation in farm establishments. As regards the question of methods for determining the various average social reproduction times, it is not our task to conjure up out of the tops of our heads methods which would explain how this task could be achieved in each separate case. One thing however is clear: the realisation of this category will lead to a complete reorganisation of the whole of the agricultural economy. In addition, a factor which will be imposed as a natural necessity will be that the reproduction period, instead of extending over a period of production, will encompass as long a time-span as, for instance, 10 years. It is the capriciousness of natural phenomena and the conditions this imposes which make this necessary, since the variations and fluctuations arising from such unpredictable factors are more readily averaged out over a longer period of time; in this way, when drawing up computations of Average Social Reproduction Time, it will be possible to overcome those fluctuations in production which unavoidably result from such changes in natural conditions. There would then remain only that spontaneous fall in average reproduction times resulting from a progressively rising productivity.

CHAPTER XIX

EPILOGUE

Marx's "Critique of the Gotha Programme"

It is now high time for the revolutionary proletariat finally to acquire a definite conception of the social order with which it intends to replace capitalism. It no longer suffices to push this task to one side with such facile remarks as that "the victorious working class will develop hitherto undreamed of powers, once it has struck off the fetters which at present bind it". For one thing, this is an extremely uncertain vision of the future. More to the point, it is in any case quite irrelevant. Indeed, the opposite is true. Each day brings fresh evidence to prove that the capitalist economy is moving with giant strides along the path of concentration, and only those afflicted with blindness could fail to recognise that sooner or later it will find its highest and most complete form in the state.[1] This then is the path of development by which the power of capital reaches its ultimate degree of concentration, and it functions simultaneously as the form of alliance binding together all sections of the ruling class, including the leadership levels of the old workers' organisations, against the proletariat. It is in this direction that the propaganda conducted on the broadest possible basis by Social Democracy and the trade unions on behalf of "economic democracy" - a propaganda which would be better described as the opening up of measures to enable the leaderships of the old workers' organisations to exercise a degree of control over the economy through the agency of the state - is aimed. The old workers' movement is unfolding its economic programme, its proposed planned economy, and its "socialism" thereby acquires form and structure; but what becomes amply clear along with these revelations is that the proposals put forward represent no more than *a continuation of wage-labour under a new guise*. And now it is also possible to declare with certainty that so-called Russian state communism is no more than a somewhat more radical means of implementing this new form of wage-labour. We revolutionary proletarians therefore

have no choice. Before the eyes of the broad masses of the working class a way forward for their actions and struggles is being presented which allegedly will lead them to Socialism or Communism, to their liberation. And it is these selfsame masses of workers whom we must win to our side, to whom we must show their own autonomous goal, for without them there can be no revolution and no Communism. And this in its turn we can only do when we ourselves have a clear conception of the mode of production and structure of the Communist society for which we fight, and for which we are prepared to devote our lives.

There is however yet more to be said on this theme. Even bourgeois scientists have recognised the approaching catastrophe, and they are even now preparing the way for the reconciliation of capital with the idea of a socialised economy. They recognise that the days of private economic management are numbered and that the time has come when thought should be devoted to the task of maintaining exploitation by means of new forms of socialised management. Characteristic of this tendency is a work by the bourgeois economist E. Horn: "The Economic Limits of the Socialised Economy" , in which the view is expressed that the abolition of private property in means of production does not necessarily entail the end of capitalist production. It is for this reason that, in the final analysis, the elimination of private property in means of production holds no fears for him at least, because according to his view the whole capitalist mode of production, together with its market mechanism and the process of surplus-value formation, must be maintained at all costs. For him the problem is not *whether* but *how* private property in means of production is to be made obsolete.[2]

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

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

The spontaneous activity of the workers in their role as producer-distributors will fill out the spaces left by this negative characterisation, replies Neurath; Hilferding for his part refers this task to the state commissars with their statistical apparatus governing production and consumption; as a final resort, refuge is sought in fullsome references to "the creative energies of the victorious proletariat", which will solve such problems "at the flick of a wrist ...". Here we have reached the fitting point at which to recall the old adage: "Wo die Begriffe fehlen, da stellt ein Wort zur rechten Zeit sich ein" ("When concepts fail [to correspond with reality], at the critical moment the imagination supplies the appropriate word").

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

capital concentration organic to the capitalist economy lead with absolute certainty to this end? However, the revolutionary years 1917-23 revealed for all to see the forms through which the proletariat seizes control of the means of production, and the Russian Revolution proved that two opposite perspectives lay at the heart of the revolutionary development there: either the Workers' Councils succeed in maintaining their power in society, or that power falls into the hands of the centralised economic organs of the state. Thus the broad lines of development of the Communist economy as set forth by Marx have once again proved themselves to be correct.

Concerning the "Critique of the Gotha Programme", the following information is relevant: in the year 1875, measures were set in motion to bring about a fusion of the "Allegemeine Deutsche Arbeiterverein" ("General Workers' Union of Germany"), which as a general rule followed the doctrines propagated by Ferdinand Lassalle, with the "Sozialdemokratische Arbeiterpartei Deutschlands" (Social Democratic Workers' Party of Germany), for which purpose a draft of the Programme to be presented for adoption at the Unity Congress, to be held at the small Thuringian town of Gotha, was drawn up. Both Marx and Engels subjected this draft to an annihilating criticism. Marx expressed his criticism in a letter to Brake, and subsequently named this manuscript "Kritische Randglossen zum Koalitionsprogram" ("Marginal Notes on the Coalition Programme"). It was only after 1891 that this criticism became more widely known, and this happened when Engels was instrumental in bringing about its publication in "Neue Zeit" ("New Times"), Vol.9, pp. 561-575. For many years, nothing more was heard about the matter[3] until in 1920, again in 1922 and then in 1928, new editions of this text were published (all relevant dates have been taken from "Program-Kritiken" ["Critical Notes on the Programme"], or, as it is better known in English, the "Critique of the Gotha Programme"). In fact, these "Marginal Notes" only came to our notice *after* we had concluded our study. They corresponded so closely with the outline given here that our work to some extent appeared as if it were no more than a

contemporary elaboration of Marx's conception. We will content ourselves with showing but one example of this close correspondence, namely at that point in Marx's text where Marx polemicises against the view, taken by the Unity Programme, that each worker should receive the "undiminished proceeds of his labour":

> "Let us take first of all the words 'proceeds of labour' in the sense of the product of labour; then the co-operative proceeds of labour are the *total social product*.
>
> From this must now be deducted:
>
> *First*, cover for replacement of the means of production used up.
>
> *Secondly*, additional portion for expansion of production.
>
> *Thirdly*, reserve or insurance funds to provide against accidents, dislocations caused by natural calamities, etc.
>
> These deductions from the 'undiminished proceeds of labour' are an economic necessity and their magnitude is to be determined according to available means and forces, and partly by computation of probabilities, but they are in no way calculable by equity.
>
> There remains the other part of the total product, intended to serve as means of consumption.
>
> Before this is divided among the individuals, there has to be deducted from it:
>
> *First, the general costs of administration not belonging to production.*
>
> This part will, from the outset, be very considerably restricted in comparison with present-day society, and it diminishes in proportion as the new society develops.
>
> *Secondly, that which is intended for the common satisfaction of needs,* such as schools, health services, etc.
>
> From the outset, this part will grow considerably in comparison with present-day society, and it grows in proportion as the new society develops.
>
> *Thirdly, funds for those unable to work,* etc., in short, for what is included under so-called official poor relief today.
>
> Only now do we come to the 'distribution'

which the programme, under Lassallean influence, alone has in view in its narrow fasion, namely, to that part of the means of consumption which is divided among the individual producers of the co-operative society.

The 'undiminished proceeds of labour' have already unnoticeably become converted into the 'diminished' proceeds, although what the producer is deprived of in his capacity as a private individual benefits him directly or indirectly in his capacity as a member of society".

(K. Marx: "Marginal Notes" ['Critique of the Gotha Programme']; Progress Publishers, Moscow; 1978; p.15)

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

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

From Money to Labour-Time Computation

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

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

To achieve this, a party dictatorship is an absolutely inadequate instrument.[4] A party dictatorship can be the product only of a development towards state communism.

In the first phase of its existence, the proletarian dictatorship will almost inevitably require vast quantities of money, which it will procure for itself in all likelihood by the same means as those employed by the capitalist states in central Europe in the immediate post-war period: that is to say, by means of the printing press. The result, of course, will be a strong monetary inflation, leading to soaring prices of all products. The question to be asked in this connection is not as to whether or not such consciously motivated

inflation is desirable; if it were to be avoided, then the proletarian power would certainly do everything to prevent it. The phenomenon of devaluation of the currency is, however, an unavoidable consequence of each and every revolutionary movement which succeeds to any degree in overthrowing existing society. Just how the revolution then proceeds further - whether it leads to state communism or to the Association of Free and Equal Producers, whether a political party is successful in establishing its dictatorship or whether, on the other hand, the proletarian class succeeds in establishing its power through the Councils, - whichever of these occurs, inflation will be the inevitable by-product of social upheaval.[5] In due course, however, a certain degree of regularisation of social relations sets in, and this in its turn makes stablisation of the currency possible. The old unit of currency is then discarded and a new one takes its place. Thus it was in Russia, where the Chervonetz was introduced as a new unit of currency; also Austria, which acquired its Schilling in this way, as did Belgium its Belgar and Germany its Goldmark. France and Italy took the same step, but with the currency retaining its old name.

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

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

Essentially the same phenomenon occurs with the

introduction of the Average Social Hour of Labour as a unit of economic regulation and control. So soon as production is proceeding more or less smoothly, a situation of "stablisation" is proclaimed, that is to say, from a certain date onwards all money will be declared worthless and only Labour Certificates will give entitlement to social product. It will be possible to exchange this "certificate money" only at the cooperative shops and warehouses. The sudden abolition of money will bring about a situation in which, equally suddenly, all products must have their appropriate ASRT (Average Social Reproduction Time) stamped upon them. It is, of course, simply not possible to do this on the spur of the moment and without further ado, and for the time being it is arrived at by sheer rule of thumb. This will inevitably mean that in one case it will be estimated too high, in another too low. So soon, however, as the system of labour-time computation will have been generally introduced, the real reproduction times will come to light soon enough.[6]

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

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

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

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

Depreciated Machinery,etc. =	Rms.1000 =	1250 Lab.Hrs.
Leather, etc. =	Rms.49000 =	61250 Lab.Hrs.
Labour-time =		62500
		125000 = 40000 per shoe
Average Production Time:		125000 ÷ 40000 = 3.125 per pr.

Alleged Utopianism

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

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

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

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

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

Just how the industrial organisations will combine with one another, which organs they will call into being in order to ensure the smooth operation of production and distribution, just how these organs

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

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

The sole area in which the accusation of utopianism might seem to possess some semblance of justification is that relating to the system of control over the norms of economic life. But only a semblance. One might hold the opinion, for instance, that Leichter has allowed more scope for developmental possibilities, inasmuch as he has left open the question as to whether the system of accounting between separate industrial establishments should be carried out *individually between the establishments themselves* through the medium of Labour Certificates, or whether this should be done through simple double-entry book-keeping at the book-keeping centre, whilst we insist unconditionally upon the method of centralised double-entry recording. The essential point, however, is that we draw attention continually to the prime significance of the system of social book-keeping in general as a weapon of the economic dictatorship of the proletariat, whilst it simultaneously provides the

solution to the problem of regulation and social control of economic life. The organisational structure of this system of book-keeping, its specific points of contact with society as a whole - these questions have naturally been left out of our account.

It is of course possible that, in its revolution, the proletariat will fail to generate the strength necessary to enable it to use this decisive weapon for promoting its class dictatorship. In the end, however, this is what it must come to, and indeed this is so quite apart from the question of the dictatorship of the proletariat, for the simple reason that a Communist economy demands an exact computation of the quantity of unremunerated product which consumers are to receive. In other words, the data necessary for the computation of the Factor of Individual Consumption (FIC) must be ascertained; should this not be achieved, or only inadequately, then it becomes impossible to implement the category of Average Social Reproduction Time, whereupon the entire Communist economy collapses. There then remains no other solution than that of a *price policy*, and we will have turned full circle, to arrive once again at a system of rule over the masses. We will have sailed straight into the jaws of state Communism. Thus it is not our imagination which considers the system of general social book-keeping to be a necessity for Communism; on the contrary, it is the objective legality of the Communist economic system which makes this unconditional demand.[7]

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

The foundations of this exposition are grounded in that which is empirically given, namely: that with the assumption of power in society by the proletariat, control over the means of production passes into the hands of the industrial organisations of the workers. The strength of Communist consciousness, which in its turn is associated with a clear understanding as to the social uses to which those means of production are to be put, will

determine whether or not the economic system in which that use is comprised will maintain itself. Should the proletariat fail to make its power effective, then the only road remaining open is that which leads to state communism, a system which can try out its various hopeless attempts to establish a planned system of production only on the backs of the workers. A second revolution, which finally succeeds in actually placing control over the means of production into the hands of the producers themselves, then becomes necessary.

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

The maintenance of the power of the industrial organisations is therefore based upon the assertion of independent administration and management, since this is the sole foundation upon which the system of labour-time accounting may be implemented. A

veritable stream of literature from America, England and Germany supplies proof of the fact that the computation of average social production time is already being prepared within the bosom of capitalism. Under Communism the calculation of (P + C) + L serves just as readily as now, under capitalism, a different unit of economic regulation does; in this respect also capitalist society bears the new Communist mode of production in its womb. The settlement of accounts between the various industrial establishments, necessary in order to ensure the conditions for reproduction in each one of them, takes place through double-entry book-keeping maintained at the accounting centre ... just as now. This also represents yet another example of how capitalism is pregnant with the new Communist order. The amalgamation of establishments is also a process which, already today, is being carried into effect. It must only be borne in mind that the industrial regroupings of the Communist future will as likely as not be of a different kind, because they will pursue different aims. Those industrial establishments which we have designated as the GSU type, the so called "public" establishments, also exist today, but as instruments of the capitalist state. These will be separated from the state and integrated into society according to Communist principles. Here also we are dealing with the reconstruction and extension of that which already exists. But the state thereby loses its present hypocritical character and exists simply as the apparatus of power pure and simple of the dictatorship of the proletariat. Its task is to break the resistance of the bourgeoisie. ... But as far as the administration of the economy is concerned, it has no role whatever to fulfil, *whereby the preconditions for the "withering away" of the state are simultaneously given.* [9]

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

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

If we compare all this with state communism, the first thing to be observed is that, in its case, there is no possibility that money will pass out of use, because only those productive establishments will be made state property which have reached the required degree of "maturity". Hence a large part of production will still remain in the hands of private capital, thereby excluding the possibility of any other form of economic control than that of money. The *commodity market* remains, as does also *labour-power as a commodity*, one which must then realise its *price* on the market. This would mean that, in spite of all the fine words to the contrary, in reality *the elimination of wage-labour would be impossible.* The ensuing programme of "nationalisation", which is then supposed to open up the road to Communism, in fact inaugurates nothing but an endless vista of hopeless prospects. The right to shape the developing Communist society is snatched out of the hands of the producers themselves and vested in those of a state bureaucracy, which would soon bring the economy to a state of total stagnation. From the isolated vantage-point of their central bureaux, it would be the administrators who would decide what is produced, how long it would (more likely, *ought* to!) take to produce it, and with what level of wages labour would be remunerated. [10]

In such a system it will also be necessary for democracy to play its part. It is solely by means of elected responsible bodies and councils that the interests of the masses can be guaranteed. This democracy, however, will be infringed and rendered null and void in sphere after sphere, because in

essence it is incompatible with the type of centralised administration which will inevitably arise. The latter will unavoidably dissolve into the rule of many separate dictators, and the course of social life will be determined by autocratic forms of rule within the system of democracy." Thus here also we will see yet a further example of how democracy becomes a cloak concealing the actual imposition of the rule of a minority over millions of working people, exactly as under capitalism. At the very best the workers will have to content themselves with the highly valued "right of co-management", which represents yet another form of disguise concealing the real relations of power.

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

TRANSLATOR'S POSTCRIPT

PROBLEMS OF THE TRANSITION TO COMMUNISM

Introduction

Almost 60 years have passed since Jan Appel and his remarkable group of co-theoreticians of the economics of Communism first gave their work to an overwhelmingly sceptical revolutionary proletarian movement. At that time, Leninism, disguised behind its "internationalist" mask of "Marxism-Leninism" and still able to pose as "the Marxism of the epoch of imperialist wars and proletarian revolutions", was proclaiming the imminent "death crisis" of imperialism and the birth of a new era of a "developing Camp of Socialist Nations" headed by the "Soviet" Union.

Today, however, imperialism appears stronger than it has ever been, whilst the once-mighty "Camp of Socialist Nations" is disintegrating under the pressure of its own internal contradictions at a speed which defies the ability of even the most experienced of the bourgeoisie's most expert Sovietologists to keep pace with it. For all the talk about "democratisation" and "openess", their chief interest is concentrated upon the economic situation in "the First Land of Victorious Socialism". And rightly so, for it was here, at the fundamental level of the *social relations in production and distribution*, that the most basic flaw in what Sidney and Beatrice Webb, the first of the many "Friends of the Soviet Union" which