

# The Law of Value in the Transition to Communism

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The article 'Revolutionary Socialism: The Minimum Theoretical, Political and Organisational Platform', translated from Farsi and published in *International Socialist Forum* Vol. 1, No. 1, states as follows:

...[T]here is a period of transition between capitalist and communist society identified by the revolutionary dictatorship of the proletariat based on all the oppressed and toiling masses. This state...[is] a necessary phase to allow the working class to establish its rule and start the transition period through the abolition of private property.

We can identify three distinct stages of this transition period. The first is the revolutionary dictatorship of the proletariat. This is established initially in individual nation states when the working class overthrows the bourgeoisie and smashes state machine. Each such revolution is part of the world revolution, a necessary condition for attaining even the lower stage of communist society, also known as 'socialism'. [1]

Marx in his *Critique of the Gotha Programme* asserted that the principle of distribution in the higher stage of communist society was 'from each according to his ability, to each according to his needs'. Communism was itself not to Marx the 'goal' but rather the precondition for the 'truly human society'.

The economics of the transitional society are inseparable from the dynamics of the world revolution. The initial stage of the 'dictatorship of the proletariat' in one or even several countries is necessarily one in which the struggle to overcome the laws of capitalism is in its infancy. The overthrow of the political power of the bourgeoisie is only the first step.

In this article, I attempt to look at some of the economic issues which arise during the period of transition from capitalism to communism. In particular, I make reference to the experience of the Russian Revolution and the Soviet Union.

## The struggle against the law of value

I do not claim here to go into detail on Marx's concept of 'value', which has been the subject of detailed study. [2] The basis is that commodities, which must have a 'use value' as well as an exchange value will exchange – subject to variations in price caused by factors outlined below – according to the quantity of 'socially necessary la-

bour time' required for their production.

As Pilling puts it, 'Marx showed that value is nothing else but the embodiment of human labour in the abstract the quantity of which is measured by socially necessary working time.' [3] Pilling shows that to describe Marx's position as a 'labour theory of value' 'is at best confusing and at worst quite wrong'. [4] In this, Marx differed from bourgeois economists such as David Ricardo and Adam Smith. Marx did not argue that it was possible to predetermine the 'value' of a commodity by the amount of labour which was involved in its production. Rather, value only arises when commodities are exchanged and the labour of the producers is realised in the value of the commodities. Value is 'the social relation of commodity to commodity'. [5] The basis on which commodities exchange leaves out of consideration the different use-values, and of the concrete forms of labour embodied in them. As a result, 'there is nothing left but what is common to them all; all are reduced to one and the same sort of labour, human labour in the abstract.' Values are 'the social substance' common to all commodities, 'a mere congelation of homogeneous human labour, of labour-power expended without regard to the mode of its expenditure'. [6]

Commodity production existed in all pre-capitalist societies except for 'primitive communism'. It is when wage-labour is the basis of commodity production that commodity production imposes itself on society as a whole. Unlike production by self-employed farmers and artisans, the capitalist mode of production 'rests on exploitation of the nominally free labour of others, *i.e.*, on wage-labour'. [7] Marx showed that while there is no such human being as an 'abstract labourer', it is alienated 'abstract labour' which is the common substance between commodities. The common substance between commodities is abstract social labour. Capitalism reduces the real 'concrete' labour of living human beings to 'human labour in the abstract'.

It was Marx's understanding of the nature of value as measured, not by 'labour time' but by 'socially necessary labour time' that allowed him to understand the nature of capitalist exploitation, the production by workers of 'surplus value'. The source of profit had remained a mystery to the bourgeois economists, or they had come up with solutions such as that profit was made from the eleventh hour of the 12-hour working day. What appeared as an equal exchange ('a fair day's wage for a fair day's work') was in fact unequal. The labourer has to be sepa-

rated from his [8] commodity, labour power. The worker sells his labour to the capitalist and receives wages in return. The value of the commodity labour-power is essentially the socially necessary labour-time taken for its maintenance and reproduction, i.e., the value of the commodities needed to feed, clothe and educate workers and their families.

The commodity labour power has a unique use value – that of creating new value. One portion of the living labour of the worker is ‘paid labour’, corresponding to the value of labour power and paid to the worker in the form of wages, and the other ‘unpaid labour’, or surplus-value, which goes to the capitalists. Surplus value is the source of profits, interest and rent.

Marx distinguished in the capitalist productive process between ‘living’ labour expended by the workers, and ‘dead’ labour, previously embodied in the means of production (machinery, materials, etc), used in the productive process but produced in the past. The payment made by the capitalist for living labour power, which creates value for the capitalist, as ‘variable’ capital. ‘Constant’ capital is invested in dead labour.

Marx argued that with the emancipation of the working class comes the abolition of abstract, alienated labour. This is a revolutionary process through which the working class, in accomplishing the revolutionary overthrow of capital, also revolutionises itself.

Marx distinguishes between ‘relative’ and ‘absolute’ surplus-value. Absolute surplus-value arises at the point at which the working day is prolonged beyond the point at which the worker would have produced the equivalent of a value for his labour power. Capitalists may try to increase absolute surplus-value by lengthening the working day, but there are clearly limits to this. The production of relative surplus-value presupposes the existence of absolute surplus value: relative surplus value is produced through shortening the necessary labour by methods whereby the equivalent for wages is produced in less time. This can be achieved through making workers work harder (increasing the ‘intensity’ of their labour) but also through the introduction of more productive machinery. The production of relative surplus-value, wrote Marx:

revolutionises out and out the technical processes of labour, and therefore the composition of society. It therefore pre-supposes a specific mode, the capitalist mode of production, a mode which, along with its methods, means and conditions, arises and develops itself spontaneously on the foundation afforded by the formal subjection of labour to capital. In the course of this development, the formal subjection is replaced by the real subjection of labour to capital. [9]

In order to increase the extraction of ‘relative’ surplus value, capitalists invest increasingly in constant relative to variable capital. For the individual capitalist, this means

investing in more technologically advanced machinery which enables more goods to be produced by fewer workers. It is easier for the capitalist to increase ‘relative’ surplus value through replacing workers by machinery than through increasing ‘absolute’ surplus value by forcing workers to work harder and longer. The relationship between constant and variable capital as viewed from the point of view of the relative value of means of production to living labour power is called by Marx the ‘value composition’ of capital. Viewed from the point of view of functions in the productive process (means of production and the mass of labour necessary for their employment) is the ‘technical’ composition of capital. Marx refers to the correlation between these two as the ‘organic composition of capital’. [10]

The trend in capital is for the organic composition to rise, for dead labour to dominate living and for the machine to dominate the worker. However, this process is a key element in the tendency of capitalism towards crisis.

In practice, commodities do not under developed capitalism actually exchange at value. This is not principally because of excess profits made through monopoly, superexploitation of colonies or semi-colonies, ‘unfair’ trading practices, etc, although all of these do take place. Rather, it is because of the laws of capitalist society towards equalisation of the rate of profit. Commodities then no longer exchange (as in less developed societies) at value, but at ‘prices of production’. [11] This arises from the disparities in organic composition of capital between different industries. Prices of production represent an intermediate stage in the tendency towards a general rate of profit. I should be noted, however, that while the surplus value extracted by an individual capitalist and his profit are not the same, total surplus value is equal to total profit, and total price is equal to total value. [12]

Although the investment in machinery to replace workers helps an individual capitalist to increase the mass of his profits in the short-term, the general effect of a rise in the organic composition of capital is to lead to a fall in the general rate of profit. This is because the increased investment in machinery relative to investment in living labour power, a decrease in variable capital relative to constant, means a decrease in the surplus value produced relative to the total capital invested. The increase in productivity cheapens commodities, as each product requires less labour time for its production, so that each commodity produced has less value. While this helps to increase the mass of profits through decreasing the value of labour power (except in those industries such as armaments and luxury products, which are not consumed by workers) the general effect, although relative surplus value increases, is a progressive fall in the general rate of profit. Marx shows that this tendency is an inevitable ‘expression peculiar to the capitalist mode of production of the ‘increasing social productivity of labour’. [13] This aspect of the crisis is not some incidental quirk, which can be overcome by reforms. It is rather a fundamental expression of

the 'general contradiction of capitalism', through which the worker becomes an appendage to the machine and unemployment exists when there is a need for goods and services. [14]

Many readers of *International Socialist Forum* will feel dissatisfied with the above outline. I hope, however it will form the basis for considering the forms in which the struggle to abolish value and 'abstract' labour in the transition to socialism take place, and also to consider the nature of social relations in the former Soviet Union.

### **Bourgeois right in the lower stage of communist society**

An essential task for communists is to develop, in the words of Kan'ichi Kuroda, 'a "political economy of the transition period" which includes political-economic policies concerning how we would abolish the system of wage slavery on a world-wide scale.' [15]

Marx himself addressed this task in his *Critique of the Gotha Programme*. Marx here criticised the formulation of 'a fair distribution of the proceeds of labour' as, pointing out that the bourgeoisie asserted that 'the present-day distribution is "fair"', and suggested that weaknesses in the formulations in the Programme stemmed from a 'retrogression' to a bourgeois conception of wages as the value or price paid for labour performed, rather than as the value or price of labour power.

Marx stated that on this issue:

What we have to deal with here is a communist society, not as it has *developed* on its own foundations, but, on the contrary, just as it *emerges* from capitalist society, which is thus in every respect, economically, morally and intellectually, still stamped with the birthmarks of the society from whose womb it emerges. Accordingly, the individual producer receives back from society – after the deductions [for administration costs, services such as health and education, and for those unable to work] have been made – exactly what he gives to it.

Marx suggested that the worker would receive a certificate that he had contributed a given amount of labour to society, and that he would draw (after deductions) 'from the social stock of means of consumption as much as costs the same amount of labour'. Marx commented that: 'Here the same principle prevails as that which regulates the exchange of commodities, as far as this is exchange of equal values.' However, the 'content and form' are changed, as social ownership of the means of production has been achieved. This society is the lower phase of communist society, or 'socialism'. Hence, although 'equal right' which is 'bourgeois right' still applies, but 'principle and practice are no longer at loggerheads' as the law of value no longer holds sway. The equality 'consists in the measurement of an *equal standard*, labour' and is no

longer the illusion of equality which exists in capitalist society.

### **Wages and the law of value in the Soviet Union**

The Bolsheviks who led the Russian Revolution were well aware of the issues of the transition from the lower to the higher phase of communism as raised by Marx in the *Critique of the Gotha Programme*. In *The State and Revolution*, written on the eve of the taking of state power, Lenin devoted part 3 of chapter V to this issue, quoting the *Critique of the Gotha Programme* at length. In 'the first phase of communist society (usually called socialism)', Lenin argued, bourgeois right was only abolished in part, 'only in proportion to the economic revolution so far achieved'. Lenin is clear in chapter V that this lower stage of communism ('socialism') is not the same as the initial post-revolutionary period, the 'revolutionary dictatorship of the proletariat'.

The Eighth Party Congress, held in March 1919 shortly after the first congress of the Communist International, changed the party name to 'Communist Party' and also agreed a new party programme. Bukharin and Preobrazhensky then produced *The ABC of Communism* as an interpretation of this programme. There is a clear distinction in *The ABC of Communism* between the dictatorship of the proletariat – which is seen as 'transitory' – and 'socialism', seen as 'communism in the course of construction', or 'incomplete communism'. [16]

Bukharin and Preobrazhensky believed that money would begin to lose its significance 'from the very outset of the socialist revolution'. This conclusion was undoubtedly influenced by the conditions of 'War Communism', with the accompanying collapse of the rouble. Alec Nove comments that in this period, 'money lost its effective function within the state sector of the economy, and had precious little function at all'. [17] *The ABC of Communism* referred to the introduction of 'work-books' which would show how much a worker had produced and would entitle him to payment in kind, and also refers to the increasing depreciation of money as 'an expression of the annulment of monetary values'. Payment in kind was a measure forced on the state enterprises rather than planned. The Soviet Union had in fact not achieved even the beginnings of a socialist economy, and could not while the Revolution remained isolated.

Bukharin gave these views a theoretical development in the following year in his *Economics of the Transformation Period*. Using a term originally used by Vladimir Smirnov, Bukharin refers to 'primitive socialist accumulation', [18] a term which was also frequently used by Trotsky from 1922 up to and including the 12<sup>th</sup> Party Congress of 1923. [19] Lenin did not like this term, which he described as 'extremely unfortunate. A childish game in its imitation of terms, used by adults.' [20]. Lenin was also critical of Bukharin's phrase 'socialist dictatorship'. [21]

Bukharin in this work opposes the use of the law of value as a tool for the transformation to communism. His argument is that 'the law of value is no more than the law of equilibrium in the anarchic commodity system', and that therefore 'value as a category of the capitalist commodity system in its equilibrium is the least useful for the transition period where commodity production disappears and where equilibrium is absent.' Prices would thus take on an 'appearance-form', detached from value, and wages would become 'an illusory quantity which has no content'. Bukharin adds that:

As long as the working class are the ruling class, *wage labour* disappears. In socialised production there is *no* wage labour. And insofar as there is no wage labour, there are also *no wages* as the price of labour power sold to the *capitalists*. Only the outer shell remains of wages – the money form, which together with the money system approaches self-annihilation. *In the system of the proletarian dictatorship, the "worker" receives a social share, but no wages.*

Bukharin adds that 'the category of *profit* as well as *the category of surplus value...disappears*'. The above processes are seen as 'one of the basic tendencies of the transition period, the *rending aside of the veils of commodity fetishism*'. [22] While Bukharin's position here points the way towards overcoming the law of value and the abolition of abstract labour, he seems unclear about the tempo of this process. Chapter 11 of *The Economics of the Transition Period* relates this process to the process of world revolution, which he thinks will begin in the more backward countries. There seems to be a confusion between the stage of 'dictatorship of the proletariat' and 'socialism', expressed in the phrase 'socialist dictatorship'. A theoretical basis has arguably been laid for 'socialism in one country'. The reference to the working class as the ruling class shows a lack of commitment to the 'withering away' of the state. With the emancipation of the working class and the abolition of wage labour, there also comes the abolition of all classes. A note by Lenin suggests a disagreement over the issue of state power. [23]

From the adoption of the New Economic Policy (NEP) in 1921, Bukharin never again for argued for the imminent introduction of these proposals. From that time, he was in conflict with his previous collaborator, Preobrazhensky. Preobrazhensky in 1920 wrote a pamphlet (*Paper Money in the Age of Proletarian Dictatorship*) optimistically arguing, as Bukharin did in the same year, that the depreciation of the rouble was a step towards the total disappearance of money. The Tenth Party Congress of April 1921, which introduced the New Economic Policy, also removed Preobrazhensky from the Secretariat of the Central Committee and was not re-elected to the Central Committee.

In 1922 his work *From NEP to Socialism* was published. This book is set in the future, in 1970. It traces development back from 1970, when there is 'a socialist society

which is gradually being transformed into a communist one' and discusses how that socialist society was achieved. Preobrazhensky here still argues for the positive aspects of rouble devaluation, but relates this to relationships with foreign enterprises. [24] In 1926, Preobrazhensky's *The New Economics* appeared.

In both these works, Preobrazhensky sees the law of value as a useful tool in the development of a socialist economy. A starting point was the reality that Soviet industrial enterprises were less productive than those in western capitalist countries. *The New Economics* was directed against Bukharin's strategy of lowering the prices of industrial goods and allowing a strong market-based peasant sector to develop.

Behind this debate lay the 'scissors' crisis. The gap between agricultural and industrial prices in October 1923 had grown to the point where agricultural prices were at 89% of the level of 1913, and industrial prices at 276%. [25] Preobrazhensky argued that although productivity in the agricultural sector was also lower than in the West, the lower value of labour power in the Soviet Union would allow agricultural products to be exported at a low price, and the income so obtained used to develop state-owned industry. Agriculture could, Preobrazhensky argued, then be developed in turn with the help of modern industry. In other words, Preobrazhensky argued that for agricultural products the world value of labour power would apply, allowing them to be sold cheaply, while industrial products would sell at a price based on the value of labour power within the Soviet Union, with its much lower level of productivity.

Although Preobrazhensky talked of 'a struggle against the world law of value', the relationship between the law of value within the protected industries of the Soviet Union and the world law of value was an important aspect of his strategy. State monopoly of foreign trade was essential. Preobrazhensky summed up the strategy thus:

The current prices of our products are on average twice as high as the prices of the same goods abroad. We accumulate with these prices only because we struggle against the world law of value, by forcibly tying our internal market to our technically backward industry while selling the exported products of peasant economy at the prices prevailing on the world market, and by subordinating our import programme to the task of accumulating basic capital and replenishing stocks of circulating capital. [26]

The above quotation indicates a confidence that the Soviet Union could develop a socialist state sector prior to world revolution. We have to agree with Deutscher that 'Preobrazhensky, for all his references to international revolution, constructed his theorem in such a way as it implied that primitive socialist accumulation might be concluded by the Soviet Union alone or by the Soviet Union in association with other underdeveloped nations.'

[27] This position is similar to the one previously taken by Bukharin, noted above.

Preobrazhensky's apparent belief in that the Soviet Union could develop a socialist economy without world revolution allowed contradictory statements on this issue to appear in the 1927 *Platform of the Joint Opposition*, in which Trotsky collaborated with Preobrazhensky, Zinoviev and others. On the one hand, the *Platform* argued:

In the long struggle between two irreconcilably hostile systems – capitalism and socialism – the outcome will be determined, *in the last analysis* by the relative productivity of labour under each system. And this, under market conditions, will be measured by the relation between our domestic prices and world prices. [28]

This statement anticipated the arguments of Nikita Khrushchev, whose case for 'peaceful co-existence' was based on precisely the premise that the superior productivity of 'socialism' as practised in the Soviet Union would mean that the people of other countries would wish to adopt the same system. The *Platform* continues to reject 'an isolated development of socialism' and call for stronger trade links with world capitalism. This is argued to be the best way to ensure the strength of the Soviet economy and hence prevent its overthrow either through armed intervention by the capitalist powers or through penetration by cheap commodities. Later, however, the *Platform* argues that: 'A war of the imperialists against the Soviet Union is not only probable, but inevitable' [29] and asserts the need to 'explain now to the broadest masses of the peoples of the whole world that this will be a war of imperialists and slave-owners against the first proletarian state and dictatorship – a war of capitalism against socialism.' The *Platform* goes on to argue that the Soviet Union will be fighting 'for the international revolution and socialism'. [30]

Preobrazhensky in using the term 'primitive socialist accumulation' saw a clear analogy with 'the primitive accumulation of capital' described by Marx in vol. I of *Capital*. Marx describes this process as the 'expropriation of the immediate producers' which was 'accomplished with merciless Vandalism, and under the stimulus of passions the most infamous, the most sordid, the pettiest, the most meanly odious.' [31] Lenin's dislike of the term 'primitive socialist accumulation' is thus hardly surprising.

It is also not surprising that Trotsky should have assured the 1922 Fifth Congress of Youth that his conception of 'primitive socialist accumulation' would not involve the 'bloody and disgraceful' methods of primitive capitalist accumulation'. [32] At the Twelfth Party Congress in 1923 Trotsky vehemently rejected Krasin's suggestion that primitive socialist accumulation would involve plunder of the peasantry. [33] Preobrazhensky, however, was prepared to acknowledge that primitive socialist accumula-

tion would involve 'exploitation' of the peasantry, whereas Trotsky at the Twelfth Congress denied it. Deutscher argues that Trotsky differed with Preobrazhensky over both the pace of industrialisation and how far the peasantry would have to foot the bill of primitive accumulation. [34]

Preobrazhensky was quite explicit that in his view the development of a socialist state industrial sector would involve the use of 'capitalist forms' and that the state bank, Gosbank, would 'adapt capitalist relations to socialism', thereby 'betraying capitalism to socialism, like a *provocateur*, using capitalist methods', while at the same time avoiding 'the storms and stresses of market spontaneity'. [35]

By 1926, Preobrazhensky had developed the theory of the 'law of primitive socialist accumulation'. This 'law' would determine the 'distribution of means of production in the economy and the distribution of labour power and also the amount of the country's surplus product which is alienated for expanded socialist reproduction'. A system of 'non-equivalent exchange' between the private and state sector would allow the state sector to develop at the expense of the private. [36] Preobrazhensky's argument for in effect arbitrary pricing as a means to combat the law of value while at the same time making use of it and the claim to have found a new 'law' of socialist accumulation anticipated, as shown below, arguments by Stalin and his successors.

While it is clear that Preobrazhensky did not regard the law of value as having been abolished in the Soviet Union, his counterposing of a new 'law' ignored the only real force which can struggle against the law of value – the revolutionary working class. Walter Daum comments that:

The reason why Preobrazhensky's theory is wrong is that the proletarian consciousness which combats the law of value is not a blind law independent of the will of the workers. There is no law regulating conscious planning (other than the law of value itself – which holds it back, restricts it and subjects it to the economic scarcities of the existing society.) Preobrazhensky's own attempts to formulate this "law" present no objective developmental process. They merely acknowledge the effect of Soviet economic backwardness... [his position] had the effect of drawing a line between the state sector and the private sector, as if the law of value could penetrate the former only from outside. Adopted without acknowledgement by the Stalinists, it misguided generations of Oppositional communists. [37]

### Interpretations of the Stalinist degeneration of the Soviet Union

There is no necessary connection between acknowledging the existence of the law of value in the period of the dictatorship of the proletariat and the conclusion Daum

comes to, that the workers' state was overthrown by a 'Stalinist counterrevolution' and capitalism or 'state capitalism' thereby established in the 1930s.

As noted above, in the transformation process as understood by Bukharin profit and surplus value 'disappeared'. They therefore existed in the early stages of the process, during the period of the dictatorship of the proletariat. State ownership, nationalisation, etc, cannot in themselves abolish value, although they may form the material basis for doing so. Daum argues that in a 'genuine workers' state', the proletarians working for the state 'still produce value and therefore surplus value. But they are not exploited, because there is no exploiting class, no bourgeoisie, to appropriate the surplus value'. [38]

If it were to be argued that the law of value or surplus value existed only in capitalist society, then if they could be shown to exist in a particular society then that society would have to be regarded as capitalist. It is therefore paradoxical to see Pilling, who holds that the Soviet Union is a workers' state, argue the following against the position cited above of Daum, who holds that from the late 1930s it became capitalist:

Firstly, it is not true that because a society produces *values* it "therefore" produces *surplus value*. But second, the creation of surplus value necessarily involves the existence of capital and a capitalist class. [39]

Pilling goes on in this review to argue that surplus value was also not produced in the Soviet Union under its Stalinist degeneration on the grounds that the bureaucracy does not own the means of production. To a great extent, this argument has similarities not only with Ernest Mandel, but also with the 'state capitalist' theorist Tony Cliff.

Writing on the Soviet Union under Stalinism, Cliff argues that 'the source of the law of value, as the motor and regulator of production' does not exist there. Instead, 'the laws prevailing in the relations between the enterprises and between the labourers and the employer-state would be *no different* if Russia were one big factory managed directly from one centre, and if all the labourers received the goods they consumed directly, *in kind*'. [40] This, according to Cliff, applies only when the Soviet Union is 'viewed in isolation from world capitalism'. The law of value, according to Cliff, is 'seen as the arbiter of the Russian economic structure as soon as it is seen in the concrete historical situation of today – the anarchic world market.' [41]

Another aspect of Cliff's work is that he confuses the 'lower' stage of communism ('socialism') as discussed above with the period of the dictatorship of the proletariat. Writing on 'the economy of a workers' state' [42] in the context of Soviet history, Cliff, while rejecting both Bukharin/Stalin's and Preobrazhensky's proposed solutions to the conflict between state industry and individu-

alist agriculture, posits a pure 'workers' state' in which, although there is still a division between manual and mental labour which is 'common to both a workers' state and capitalism', the distinguishing feature between the two is 'the existence or non-existence of workers' control over production'. Technicians in a workers' state 'are not subordinated to capital, but to the will of the workers' state, to the collective of producers'. In this workers' state, equivalents are exchanged on the basis of 'the equality of producers'. The law of value has, therefore, already been abolished. Cliff regards the restoration of capitalism (in the form of 'state capitalism') as taking place around 1928 with the First Five Year Plan, incorporating Stalin's forced industrialisation and collectivisation policy, with expropriation of the peasantry. The implication of the argument cited above, however, is that the Soviet Union never was a workers' state. Cliff does nonetheless accept the October Revolution, and by seeing 'workers' control' as the key issue, can claim there was a brief period of 'dictatorship of the proletariat' followed by 'dual power'. Cliff's theory of transition is lacking in realism.

Kuroda [43] has pointed out that Trotsky exhibits a similar confusion concerning distribution between the dictatorship of the proletariat and socialism in Chapter 3 of *The Revolution Betrayed*. Here, Trotsky argues that in a workers' state distribution is carried out 'with a capitalistic measure of value' [44] and this is equated with the "lowest stage of communism" as defined by Marx and defined by Trotsky as a society where, 'in order to increase the productive forces, it is necessary to resort to the customary norms of wage payment – that is, to the distribution of life's goods in proportion to the quantity and quality of individual labour.' [45] Kuroda argues that by including the 'quality of labour' Trotsky misses Marx's point in the *Critique of the Gotha Programme*. This is because 'quality of labour' includes a quantity of past ('dead') labour objectified in living labour-power and is the basis of differences in the value of labour-power in capitalist society. In socialist distribution, the 'quality of labour' is absent from the calculation, even though exchange remains unequal, since although exchange is for equal amounts of labour, workers' capacity to labour differs, as do their needs. Hence, exchange in socialist society, although still according to bourgeois right, is not according to 'a capitalistic measure of value', as Trotsky (who is followed in this by Tony Cliff) asserts. Trotsky is therefore disarmed theoretically in his criticism of the Stalinist distribution system, which uses this false conception of distribution under socialism as justification of the piece-rate wage system. Trotsky nonetheless quite rightly saw an essential task of the transition period as the abolition of piecework payments as 'a relic of barbarism'. [46]

Kuroda also discusses the character of wages in the transition from the dictatorship of the proletariat to socialism. Here, the economic task is 'the process of the abolition, or the sublation, of the law of value'. In this instance, 'quality of labour' is still taken into account, regarded as past

labour objectified into labour power. However, in the transition process this 'quality of labour' is no longer given a value definition. Wages then become the 'illusory quantity which has no content' referred to by Bukharin or, in Kuroda's words, 'pseudo-wages'.

Kuroda also accuses Trotsky of making 'a fetish of the property of the workers' state', of having a 'static' view of the Soviet Union. [47] However, he rejects [48] 'state capitalism' on the grounds that the nationalised means of production do not function as 'self-expanding value' - Marx's definition of 'capital' [49] - and that prices in the Soviet Union are unrelated to market prices or the law of average rate of profit, but rather subject to a 'confused and incoherent' bureaucratic policy. To Kuroda (writing in 1961), the USSR 'is a newly appeared historical existence' although he stresses that this does not mean 'a new category which is neither capitalism nor socialism (for instance, the theory of bureaucratic collectivism in Max Shachtman's formulation)' but rather as a 'form alienated by the Stalinist bureaucracy of the transition period society towards world socialism'. [50]

The arbitrariness of prices and wages in the Soviet Union, which continued until the last few years of its existence, is an aspect which serious analysis cannot ignore. Trotsky pointed out in 1933 that money, like the state, would wither away with socialism but could not be abolished by decree. Trotsky added: 'The Soviet economy today is neither a monetary nor a planned one. It is an almost entirely bureaucratic economy. Exaggerated and disproportionate industrialisation undermined the foundations of agricultural economy... Industry, freed from control by the producer, took on a supersocial, that is, a bureaucratic character.' [51]

## Stalinist ideology

Hence, the law of value was in a sense bypassed by the Stalinist bureaucracy, but not abolished. As Kuroda warns us, the arbitrariness of this system does not lead us to infer that some new system, such as 'bureaucratic collectivism'. It is significant that from 1943 Stalin and those around him themselves began to argue that the 'law of value' operated - or should operate - in a socialist economy. This view was first put forward in the article 'Some Questions of Teaching of Political Economy'. [52] Nove suggests that this unsigned article may have been written by Stalin himself [53]. It certainly pointed towards a new way of thinking on the part of the bureaucracy, contradicting previous positions. Dunayevskaya shows that A. Leontiev, one of the editors of *Pod Znamenem Marxizma (Under the Banner of Marxism)* the journal which published the article, had written in 1935: 'The Marxian doctrine of surplus value is based, as we have seen, on his teaching of value. That is why it is important to keep the teaching of value free from all distortions because the theory of exploitation is built on it.' [54] A new interpretation of Marxism was needed to support the bureaucracy's new image of the society over which it ruled.

Stalin elaborated these arguments in his *Economic Problems of Socialism in the USSR* (1952). Here, Stalin states that it was necessary 'to discard certain concepts taken from Marx's *Capital*' when considering 'our socialist relations'. Among the items to be discarded are not only 'surplus value' but "'necessary" and "surplus" labour, "necessary" and "surplus" product, "necessary" and "surplus" time'. However, Stalin is in no doubt about one concept:

It is sometimes asked whether the law of value exists and operates in our country, under the socialist system. Yes, it does exist and it does operate. Wherever commodities and commodity production exist, there the law of value must also exist.

So according to Stalin not only is there value and commodity production without surplus value, but without surplus labour either. Stalin goes on to argue that the law of value operates in the sphere commodity circulation, where it performed 'the function of a regulator'. The law of value also, Stalin insists, extends to production. Although 'the law of value has no regulating function in our socialist production', says Stalin, 'it nevertheless influences production, and this fact cannot be ignored when directing production'. This is because 'consumer goods, which are needed to compensate the labour power expended in the process of production, are produced and realised in our country as commodities coming under the operation of the law of value'. Therefore, argues Stalin: 'In this connection, such things as cost accounting and profitability, production costs, prices, etc., are of actual importance in our enterprises. Consequently, our enterprises cannot, and must not, function without taking the law of value into account.'

'Is this a good thing?' asks Stalin. He then answers: 'It is not a bad thing. Under present conditions, it really is not a bad thing as it trains our business executives to conduct production on rational lines and disciplines them.'

We see here proof of Daum's argument, quoted above, that Preobrazhensky's position of 1926, while he was a member of the Left Opposition, provided arguments which Stalin was later to use, in particular as regards the belief that the law of value could operate in one sphere of the Soviet economy and be excluded from another. Stalin goes on to claim that because of the limitations on the operation of the law of value, which mean that 'the law of value cannot under our system function as the regulator of production', the Soviet Union remains free from 'the periodical crises of overproduction' which afflict capitalism.

It is clear from 'Economic Problems of Socialism in the USSR' that Stalin had abandoned any pretence of struggle against the law of value. Instead, there is the grotesque caricature of Marxism, with the categories which Marx developed to analyse capitalism being used in an attempt to introduce capitalistic methods into the USSR, under

the banner of 'socialism'.

## Conclusions for Marxists from the Soviet experience

The October 1917 Revolution remains a vital development in history. It showed the revolutionary nature of this epoch and the readiness of the working class to take power and transform society. The Revolution brought in the period of transition to world proletarian revolution, and thus formed the basis for the abolition of the law of value.

Much of the debate among those of the Trotskyist tradition on the 'class nature of the Soviet Union' has perhaps missed the main issues. In my discussion on the meaning of the Marxist concept of value at the beginning of this article, I consciously cited two works which emphasise the philosophical method of *Capital*, Geoff Pilling's *Marx's 'Capital'* and Raya Dunayevskaya's *Marxism and Freedom*. Yet these take opposed positions on the class nature of the USSR, Pilling saying it is a 'workers' state' and Dunayevskaya saying it is 'state capitalist'. On the issue of whether surplus value may be produced in a workers' state, Pilling seems to agree with the 'state capitalist' Tony Cliff against other 'state capitalists' Dunayevskaya and Walter Daum.

The key issue is rather an understanding of the epoch in which we live as the revolutionary epoch. In 1962, Kan'ichi Kuroda put the issue thus:

[I]n order to approach the question of the Stalinist alienation, or transformation, of the USSR, one must first of all grasp the *nodal significance* of the Russian Revolution as the prelude to the world revolution, and grasp the Soviet Union as an *alienated form of the transition period society* (towards the realisation of world socialism, the material foundation of which is the proletarian world revolution). At the same time, it is necessary first of all to hold firmly to the perspective of the world revolution – that is, asking the question: "How is this alienation to be transcended by revolutionising *praxis*?" If this is not done, the definition of the historical character of today's USSR will either become arbitrary, or will fall into a pro-Stalinist orientation. [55]

There are those of the 'state capitalist' viewpoint who deny that the epoch from 1917 has been the revolutionary epoch. The International Socialism Group (IS), forerunner of the Socialist Workers Party (SWP) in Britain, is an example. This Group's outlook was that 'state capitalism' was a variant of the trend towards stabilisation through the 'permanent arms economy'. Lenin's theory of imperialism, and the founding principles of the Fourth International, were held to have been proved false by events. [56]

On the other hand, the Pabloite/Mandelite position that Stalinist parties could accomplish revolution under mass

pressure, etc, equally represents an abandonment of the revolutionary nature of the working class. [57] We may note that the designation of the states of Eastern Europe, China, etc, as 'deformed workers' states' came from this tendency. In particular, the non-Marxist method of argument by analogy for which the 'state capitalist' outlook is criticised by Pilling [58] and – in the specific case of Tony Cliff – by Kuroda [59] is also that used by those who argue that a 'workers' state' exists when a given number of attributes apply, such as a proportion of industry being nationalised and a state monopoly of foreign trade. Tom Kemp argued against this method, in the context of the proposal that Cuba be considered a workers' state: 'But if Cuba is accepted as a workers' state, on the lines laid down in the SWP documents, it will only be a matter of time before the necessary attributes of this state can be assembled for Algeria, and if Algeria, why not go off to some other parts of the world?...There is Egypt. There is Burma.' [60]

This is the epoch of world proletarian revolution. Despite the betrayals of leaders from Stalin to Gorbachev which led to the collapse of the Soviet Union, the October Revolution was the start of the process of world revolution, the transition to communism. This transition, which can only be achieved through the revolutionary action of the proletariat, involves a struggle against the law of value. We should learn from the mistakes of the past, as well as building on the gains of the First International, the October Revolution, the early years of the Communist International, and of the Fourth International. We must develop Marxism as the theoretical weapon of the revolutionary proletariat. This is essential for the building of a revolutionary international which 'assimilates and bases itself on all of humanity's progressive social experiences' [61] and which will be the leadership of a working class which emancipates itself through 'revolutionary practice', bringing about the end of human pre-history and enabling true human history – the history of free human beings – to begin.

## Notes

[1] As Lenin pointed out in *The State and Revolution*, chapter V, 3, although the lower stage of communism was 'usually called socialism', it was called 'the first phase of communism' by Marx. Stalin's 'theory' of 'socialism in one country' distorts the relationship between the three stages of transition.

[2] Apart from *Capital* itself, relevant works include Geoff Pilling, *Marx's 'Capital': Philosophy and Political Economy* (London: Routledge & Kegan Paul, 1980); I. I. Rubin, *Essays on Marx's Theory of Value* (Montreal: Black Rose, 1973); Roman Rosdolsky, *The Making of Marx's 'Capital'* trans. Pete Burgess (London: Pluto Press, 1977)

[3] G Pilling, *Marx's "Capital"*, p 106



- [4] *Ibid.*, p 41
- [5] *Capital*, vol. I (London: Lawrence & Wishart, 1974), p 54.
- [6] *Ibid.*, p 46
- [7] *Ibid.*, p 714
- [8] The worker may, of course, be a woman. I use the male form merely for convenience.
- [9] *Capital*, vol. I, pp 477-478. Walter Daum in *The Life and Death of Stalinism* (New York: Socialist Voice Publishing Co., 1990), p 40, argues that increasing the intensity of labour represents an increase in absolute surplus value. This is not Marx's view
- [10] *Capital*, vol. I, p 574
- [11] *Capital*, vol. III (London: Lawrence & Wishart 1972), p 177)
- [12] For a discussion of this see David Yaffe, 'Value and Price in Marx's Capital', *Revolutionary Communist* No 1 (January 1975)
- [13] *Capital*, vol. III, pp 212-213
- [14] See Raya Dunayevskaya, *Marxism and Freedom* (New York: Twayne Publishers, 1964), p 143
- [15] Kan'ichi Kuroda, *Stalinist Socialism: A Japanese Marxist's Perspective* (Tokyo: Kobusho Shobo [undated English translation]), p 44. In quoting this book, I have made slight amendments to the translation
- [16] N. Bukharin and E. A. Preobrazhensky, *The ABC of Communism* (Penguin Books, 1969, p 390)
- [17] Alec Nove, *An Economic History of the USSR* (Pelican Books, 1989) p 55
- [18] N. Bukharin, *The Economics of the Transformation Period* [with Lenin's critical remarks] (New York: Bergman, 1971) p 10
- [19] See Isaac Deutscher, *The Prophet Unarmed* (Oxford University Press, 1970) pp 41-46 and p101,n
- [20] *The Economics of the Transformation Period*, p 223, note L198. See also note 85, p 217
- [21] *Ibid.*, p 198, note L94
- [22] *Ibid.*, pp 145-147
- [23] *Ibid.*, p 221, note L179
- [24] E A Preobrazhensky, *From NEP to Socialism* (London: New Park, 1973) pp 22-23
- [25] Nove, *op. cit.*, p 85
- [26] E A Preobrazhensky, *The New Economics* (Oxford University Press, 1965) p 38
- [27] Deutscher, *op. cit.*, pp 237-238
- [28] *The Platform of the Joint Opposition (1927)* (London: New Park, 1973), p 40
- [29] *Ibid.*, p 78
- [30] *Ibid.* p 81
- [31] *Capital*, vol. I, p 714
- [32] Deutscher, *op. cit.*, pp 43-44
- [33] *Ibid.*, pp 101-103. Deutscher also points out that in later years Trotsky seldom used the term 'primitive socialist accumulation'.
- [34] *Ibid.*, pp 237-238n
- [35] *From NEP to Socialism*, pp 49-50
- [36] *The New Economics* pp 84-85
- [37] Daum, *op. cit.*, pp 148-149
- [38] *Ibid.* p 131
- [39] G Pilling, "'State Capitalism", *Marxism and the Soviet Union*, *The International*, No 6, May 1991. Pilling's position has little claim to 'orthodoxy'. *The Platform of the Joint Opposition* explicitly refers to 'surplus value created by our state industry' (p 13). Trotsky also refers to the bureaucracy as appropriating surplus value in his 1934 pamphlet *The Class Nature of the Soviet State* (London: New Park, 1968), p 20
- [40] T Cliff, *Russia: A Marxist Analysis* (2<sup>nd</sup> Edition, London: International Socialism, 1964), p 159. All italics in the original
- [41] *Ibid.* p 161
- [42] *Ibid.* pp 87-98
- [43] Kuroda, *op. cit.*, pp 23-25
- [44] L Trotsky, *The Revolution Betrayed* (tr Max Eastman, London: New Park, 1973) p 54
- [45] *Ibid.* p 46
- [46] *Ibid.* p 83
- [47] Kuroda, *op. cit.*, p 27
- [48] *Ibid.* pp 28-45
- [49] *Capital*, vol. I, p 531
- [50] *Ibid.* pp 18-19
- [51] Trotsky, "The Degeneration of Theory and the Theory of Degeneration" (April 1933), *Writings 1932-33* (New York: Pathfinder 1972) pp 222-224
- [52] First published in the Soviet journal *Pod Znamenem Marxizma (Under the Banner of Marxism)* in 1943, and translated by Raya Dunayevskaya and published under the title 'Teaching of Economics in the Soviet Union' together with Dunayevskaya's critique in *American Economic Review* Vol. 34:3, September 1944
- [53] Alec Nove, *The Soviet Economy* (London: Allen & Unwin, 1965), p 283.
- [54] Raya Dunayevskaya, 'A New Revision of Marxian Economics', in *The Marxist-Humanist Theory of State-Capitalism* (Chicago: News and Letters, 1992) p 85. This is Dunayevskaya's critique of the article, reprinted from *American Economic Review*
- [55] Kuroda, *op. cit.*, p 15
- [56] See Michael Kidron, 'Imperialism, Highest Stage But One', *International Socialism* No. 61, June 1973 and *Western Capitalism Since the War* (Pelican books, 1970); Duncan Hallas, 'Building the Leadership', *International Socialism* No. 40, Oct/Nov 1969, which attacks the basis of the Fourth International. For a critique of Hallas, see Cliff Slaughter, *The class nature of the 'International Socialism' Group* (Workers Press pamphlet, 1970). Slaughter mistakenly refers to the title of Hallas' article as 'Building the Revolutionary Party'.
- [57] As with the SWP/USA. For an explicit statement of this viewpoint, see Robert Chester, *Workers and Farmers Governments Since the Second World War* (New York: Pathfinder, 1978)
- [58] G Pilling, *Marx's 'Capital'*, p 27
- [59] Kuroda, *op. cit.*, pp 42-43
- [60] Tom Kemp, 'Revisionism – the Discussion' *Labour Review*, summer 1963
- [61] Statute III of 'Statutes of the Fourth International', *The Death Agony of Capitalism and the Tasks of the Fourth International* [the Transitional Programme] (London, Workers Revolutionary Party, 1975), p 60