ECONOMIC ASPECTS OF COMMUNISM

RONALD BRECH

ANY discussion on the economic aspects of Communism has to refer to Russian experience since Russia was the first (and for some time the only) example of the application of Marxist economic philosophy. And it is perhaps only poetic justice that Russia should have contradicted Marx in almost every aspect of his economic teaching. Russia according to Marxist doctrine should never have become Communist—at least not when it did—for it had not experienced the full development of capitalist society. Russia also found it necessary, contrary to Marxist tenets, to operate a normal pricing mechanism and to pay money wages, not according to need, but according to the type of output that the state wished to foster. In other words, the Soviet planners discovered that the acquisitive motive— and original sin—still existed in a Communist state.

But before the significance of this contradiction can be discussed, its existence must be proved. Marx did not study economic problems as an end in themselves but merely because in his day current political controversy had an economic content. To him economics was nothing more than a means of discovering the laws of social development. He argued that the social productive relationships entered into by man formed the anatomy of a society. They enabled a society not only to make the fullest use of its productive powers but also to increase them, and through this increase the productive powers were brought into conflict with the social relationships. In more concrete terms, Marx claimed that the basic contradiction in capitalism is the increasingly social co-operative nature of production, because the means of production are individually owned, and it shows itself in the development of two classes which are inevitably antagonistic since their interests are incompatible.

This is of course nonsense, for production depends on the teamwork of capital and labour, and their interests are highly complementary. The United States has shown how labour's

https://doi.org/10.1111/j.1741-2005.1953.tb00557.x Published online by Cambridge University Press

earnings and material standard of living can be greatly increased by co-operating with capital. And the Americans know better than anybody that capital without labour is valueless.

If this were all of Marxist economics, his books would have been ignored by professional economists. But Marx realised that the ultimate end of production is consumption and that the social relationship between the two is distribution. This argument forced him to define exchange value, which he did as the socially necessary labour time used in the production of a good given normal conditions of social production and the social average degree of skill and intensity of labour. He argued that the cost of raw materials and machine power, etc., was translated directly into the value of the product, whereas the cost of labour added an additional value—a surplus value—which labour did not receive. In other words, the market price of a good was equal to the cost of raw materials, machine power, etc., *plus* the cost of labour, *plus* a surplus value that really belonged to labour. This surplus value was capital's exploitation of labour.

I shall not go into the Marxist theories of capitalistic competition and economic development as the philosophy of Communism has already been considered in earlier papers. But it is as well to remember that in his economic teaching, Marx was concerned more with how people *should* act rather than with how they *do* act. Yet economics is a 'technical', not a moral, science. It is a study of human behaviour under certain conditions. A moral act is a voluntary decision of a human being. Economics does not purport to say how people *should* act, but rather takes people's actions as data.

The Russians have realised this distinction, hence they have introduced a price mechanism, money wages with full wage differentials, and monetary incentives in various forms. The basic plan in the Soviet Union is still the Production Plan which determines how much labour, machinery and raw materials, etc., is to be used to produce various goods. In particular it lays down the amount of productive resources to be devoted to the production of investment goods and to the production of consumer goods. But superimposed on this Production Plan is the Financial Plan, which the

https://doi.org/10.1111/j.1741-2005.1953.tb00557.x Published online by Cambridge University Press

planners are finding gives them greater control over economic resources and enables them to operate a state accounting system. It sets out the planned costs of production for each range of goods, the planned profit, the turnover tax, and hence the selling price. Although the planned profit is fixed in advance, there are incentives for firms to become efficient. If their costs are below the planned rate, part of the extra profit goes to the state, part to reserves and the remainder to the 'Directors' Fund' to be used to improve working conditions, welfare services and housing. In this way, the planners hope to interest all workers in increasing profitability.

This Financial Plan is becoming the more vital instrument of control now that Russia is concentrating more on economic accounting. Subsidies have been abolished, rationing abandoned, and supply and demand equated by price. But instead of the price being determined by producers and consumers, it is determined by the state planners through the Turnover Tax which is equivalent to our Purchase Tax. This tax is levied almost exclusively on consumer goods and its incidence is uneven. If the output of shoes exceeds demand, the Turnover Tax is reduced. In other words, the state is using the price mechanism but manipulating it through its fiscal policy. Indeed the planners found that they could get the collective (private property) farms to increase their output by permitting the farmers to sell any output surplus to the planned target on the free markets at any prices they can get.

This use of the price mechanism is causing grave doubts in the minds of some Russian economists and so Stalin has decided to write (or have written) a textbook giving a new interpretation of Marxist economic theories. Stalin's remarks at the recent Congress on this subject are most enlightening. Talking of economic laws he said:

> Certain comrades consider that the special position of the Soviet state and its leaders allows them to 'repeal' the objective laws of economics. These comrades are deeply mistaken. They say that the law of value is 'reformed' under socialism and under the planned economy. This is also incorrect.
>
> One can limit the sphere of action of certain laws, and one can prevent their ruinous action if need be. But where there are commodities and

https://doi.org/10.1111/j.1741-2005.1953.tb00557.x Published online by Cambridge University Press

> production, there cannot help but be a law of value. The misfortune is not that the law of value has an effect on production—the misfortune is that our economic executives and planners are poorly acquainted with the action of that law. This is the explanation of the confusion which still reigns in the Soviet Union on the question of price policy.

And perhaps even more striking are Stalin's remarks on work:

> It is necessary to secure such cultural development as will provide all members of society with education sufficient to become active figures in social development, in order that they may be able to select freely a profession, and not be shackled for their whole life by the force of the existing division of labour to any one profession.
>
> To this end it is necessary first of all to reduce the working day at least to six and then to five hours. Housing conditions and real wages must be raised—the latter by raising money wages and lowering of prices of goods in mass consumption.

This contradiction between Marxist theory and Russian practice surely requires no further evidence. The Russians have discovered that although a pattern of output can be more or less predetermined, people cannot be made to buy or to use the goods. They must be enticed by differential prices just as they must be encouraged in their work by differential wages. It is no longer 'each according to his needs'. A planner's power is limited and although the Russian economy is both planned and controlled, it has to use capitalist methods to achieve its ends. This change has caused a sharp controversy, which, although at the moment restricted to economics, is encouraging in that people are being taught to question or rather 're-interpret' their erstwhile beliefs. Once this is permitted, they may at some later stage be encouraged to seek the real truth. The fact that Stalin has to talk about 'freely selecting a profession' is at least significant, although we all know what Stalin means by 'freely selecting'. Russia has not only adopted State Capitalism; it is also beginning to preach it in defiance of Marx.

If this analysis is correct, then clearly Russians no longer believe in Communism as a creed, such as we believe in our religion—at least not the economic aspects of Communism. They alter it to suit their political aims. What fools, then, are those who work in other countries for the Communist Party. Their actions could perhaps be condoned in the past on the grounds that they regarded Communism as a religion.

But if this premise is no longer true, then they are akin to traitors working for a foreign 'capitalist' power. The trials in satellite countries of those men who brought their country to Communism are no accidents. These leaders, disillusioned by Russian policy, clearly have to be liquidated by the Russians, if the satellite countries are to remain in the Russian orbit. Czechoslovakia is but the first example.

NOTES ON CONTRIBUTORS TO THIS ISSUE

REVD D. J. B. HAWKINS, PH.D., D.D., author of *The Criticism of Experience* and *Sketch of Medieval Philosophy*.

VERY REVD IAN HISLOP, O.P., S.T.L., PH.D.(Edin), Prior and Professor of Metaphysics at St Thomas's Priory, Hawkesyard.

RONALD BRECH, member of editorial staff of *The Economist*.

R. H. RICHENS, M.A, assistant director, Commonwealth Bureau of Plant Breeding and Genetics.

VICTOR FRANK, head of Russian Section, B.B.C. European Service.

DOUGLAS HYDE, formerly news editor, *The Daily Worker*; author of *I Believed*.

DONALD NICHOLL, lecturer in the University College of North Staffordshire; author of *Recent Thought in Focus*.