

## The Market is Here to Stay

*Adam Buick and John Crump, State Capitalism: The Wages System Under New Management.* New York: St. Martin's Press, 1986. 174 pp.

Reviewed by David Ramsay Steele

In November 1917 the Bolsheviks led by Lenin and Trotsky, staged a successful coup against the recently-founded democratic regime in Russia. The 1920s saw the rise of Communist Parties throughout the world, all taking their orders from Moscow, all violent and unscrupulous, and all pursuing policies determined by Russian imperial policy. The government of the USSR and its followers in the Communist Parties were self-proclaimed Marxists. Most of what the world knows as Marxism is derived from them, or from the assorted dissidents who, every few years, have split from CP orthodoxy over whatever recent Soviet butcheries happen to have irritated them.

Most people soon forgot that Bolshevism had, until 1917, been a comparatively small, heterodox group, that even this group had adopted some of its peculiar ideas only in 1917 or later, and that nearly all the leading lights of traditional Marxism - notably Kautsky, the 'pope of Marxism', and Plekhanov, the 'father of Russian Marxism' - were hostile to Bolshevism.

There was never much chance that non-Bolshevik Marxism would survive as a major force in politics. The traditional Marxists were violently attacked (always metaphorically and sometimes literally) by the Communist Parties, who saw them as the vilest monsters, since they questioned the CP's self-cast role as vanguard of the proletariat. The Communist Parties were subsidized by the Russian state. Traditional Marxists could not agree among themselves - upon the nature of their new enemy, the Soviet-backed Communist Parties, or the nature of the Soviet regime itself, or the

nature of socialism, or the best way to get it. Most of the traditional Marxists with large followings, notably Kautsky himself, were themselves in the process of arguing themselves out of Marxism. though generally without realising that this was what they were up to.

Finally, the intellectuals who ultimately form public opinion tend to be worshippers of success and power: therefore, if the people who have subdued a vast empire, and then won the Second World War and thereby extended that empire, say they are Marxists, it would be disrespectful not to call them Marxists, whatever the anomalies in their brand of 'Marxism'.

This book, by two survivors of pre-Bolshevik Marxism, argues that the social systems in Russia, China, Cuba, and Eastern Europe have never been socialist in the Marxist sense. In this, the authors are undoubtedly correct. In many ways, Leninist regimes, though sanctified by a state religion of Marxolatry, came to embody everything that Marx was most opposed to.

Buick and Crump also contend that the systems prevailing in the CP-ruled countries are forms of capitalism, specifically "state capitalism". Most of the book tries to define capitalism, explain the origins and differentiating features of state capitalism, and account for its rise. A final chapter advocates "the alternative to capitalism", the authors' distinctive version of Marxian communism.

### The Labour Theory of Value

*State Capitalism* breaks little new ground. It is substantially a summary of the authors' standpoint, with not much attempt at fresh thinking or persuasive argument. For instance, the authors expound the Marxian labour theory of value and exploitation (2-12), and appear to regard it as absolutely reliable, but they produce very few arguments in its support, and they pay no attention to the criticisms this theory has received - they do not mention the early criticisms by Wicksteed and Boehm-Bawerk, nor recent criticisms from Marxists like Steedman or non-Marxists like Samuelson,

nor the even more recent criticisms of the, 'analytic Marxists' like Elster and G. A. Cohen.

B&C state that "the labour theory of value can be seen as a corollary to what might be called a labour theory of wealth. Most wealth, as something useful that satisfies a human want, is produced by human beings transforming nature by their labour" (2-3). From the fact that most wealth is produced by labour it doesn't follow that most wealth, let alone all wealth, when it sells for a price on the market, sells for a price in any way related to the labour-time required to make it. There is no "corollary" here.

B&C add that certain things are useful without being products of labour, but 'gifts of nature' are precisely the only items of wealth which have no exchange value, are 'free goods' in an exchange economy"(3). They overlook that unproduced goods may have prices: plots of land, waterfalls suitable for hydro-electric power generation, untouched mineral deposits, and Scandinavian cloudberry, for instance. The authors declare that "The labour theory of value is not so much a theory of price as a theory of the nature of wealth in an exchange economy" (3). This sort of disclaimer has become commonplace among Marxists. Leaving aside the question of what such a theory of the nature of wealth would say (a mystery on the scale of the Real Presence), Marxists continue to appeal to the labour theory of value as a price theory. B&C continue to use the labour theory to settle questions about how prices (including wages, profits and interest) are determined in the market.

The labour theory of value may be a theory of price, or it may be simultaneously a theory of price and something else. In either case it contradicts alternative price theories, and the question arises of a scientific comparison of the various theories. (For example, a chicken is produced in one piece. No more labour goes into the breast than into the parson's nose. Yet, pound for pound or cubic inch for cubic inch, the price of breast is much higher than the price of parson's noses. Why?) Alternatively, the labour theory of value is not a theory of price at all. In that case, it cannot support the Marxist theory of exploi-

tation, which requires the conclusions of a price theory.

### **State Capitalism**

Is the Soviet Union a capitalist society? That depends on the definition of 'capitalist'. The Russian economy is certainly similar in many ways to the picture of capitalism presented in Marx's *Capital*, except for the absence of private ownership of most of industry and the extensive attempts to regulate the workings of the market. Marx saw nationalization as a means for converting industry from capitalism to socialism, but he did not see nationalization as any guarantee of socialism. It is apparent that the workers get a much worse deal in Russia than they do in the West, and that Russia is not moving towards anything Marx would have recognized as socialism. Russia is, though B&C don't mention the fact, moving towards conventional Western-style capitalism.

B&C acknowledge that there is one big difference between Russia and the West: in Russia the bulk of industry is nationalized, with no private owners and no capital or money markets. They consider this difference to be inessential. Although B&C purport to maintain a posture of even-handed condemnation of state capitalism and private capitalism, they actually manifest a pronounced bias in favour of state capitalism, because they accept the reasons that have been given by its apologists for its existence, and they fail to recognize that state capitalism is comparatively inefficient. They do not admit that Russian state capitalism has been a blow to world economic development, that Bolshevism has set back world progress by a hundred years--all for nothing. They even rely on Russian statistics, perhaps the last writers in the world to do so.

### **Historical Mysticism**

To account for the fact that "bourgeois" revolutions have given way to state capitalist revolutions, B&C claim that "the immense quantities of capital which now have to be accumulated in order to catch up with the advanced countries, and the precipitous rate at which this necessarily has to be

accomplished, mean that the task is beyond the capability of a class of individually-organised private capitalists operating independently of the state" (46). This is simply repeating the woolly-minded propaganda of state capitalist elites. The amount of capital in a society is not increased by state intervention. There is no upper limit to the amounts of capital which private individuals can accumulate. The state can get capital only by taking it from individuals.

In any case, the failure of much of the world to develop as rapidly as the more successful countries is frequently the failure of small enterprises to develop because of state persecution, rather than an absence of immense quantities of capital. The greatest industrial success story in recent times is Hong Kong, where "individually-organized" capitalists have been more independent of the state than they were in eighteenth or nineteenth-century Europe. If India or Indonesia, Russia or China, could have enjoyed the substantially free-market system of Hong Kong, how many millions of blighted lives would have been rescued, how many would have been saved from malnutrition, what a vast amount of happiness and creative power would have been added to the world!

Behind B&C's belief in the necessary role of the state capitalist bureaucrat lies the notion that "capitalism" has needs and appetites other than the needs and appetites of individual humans. Thus, if revolutions occur during the course of economic development, Marxists tend to suppose that these revolutions must be required for economic development, (instead of needlessly hindering the process of development, as was actually the case with Bolshevism). If state capitalist classes appear instead of the earlier "bourgeois" classes, B&C believe this must be because "capitalism" needed it that way.

There is no foundation for that assumption. All sorts of things happen in history because of delusion, sentiment, boredom, pride, and the unpredictable outcomes of individual factional competition, but above all because of the immense power of ideas. It is not very likely that the French Revolution helped

along capitalist development, but if it did, what a stroke of luck for capitalist development! It is just as likely that the strains of economic development incidentally throw up the distracting noise of revolutions, which may then interfere with economic development, as that revolutions occur because they are somehow needed for economic development.

B&C avert their eyes from Marxist discussions of the 'law of value' in Russia, and are somewhat agnostic on the question of to what extent Soviet enterprises are really autonomous. They seem to think that, even if there were no enterprise autonomy at all, Russia would still be capitalist because of its competition with other countries. This somewhat strains the concept of "capitalism".

B&C endorse the incoherent suggestion of Charles Bettelheim that state capitalist regimes "*plan market transactions* between enterprises" (82). They aren't market transactions if they are all planned from the centre. All characteristics of the market flow from the interaction of mutually autonomous traders. Without this autonomy, nothing of the market exists.

The authors give a list of six "essential characteristics" of capitalism. They don't make any attempt, however, to isolate the really essential characteristics; that is, they include in this list anything that they believe follows from any of the other things in the list. For instance, they include the characteristic, "a single world economy" (1). Why is it inconceivable to have capitalism or socialism in only part of the world? An untouched tribe of Stone Age hunters is not part of the single world economy. How big does such a tribe have to be before it refutes the claim that capitalism is a single world economy? If the Earth went socialist and was then contacted by another planet that was capitalist, would the Earth immediately cease to be socialist?

This particular "characteristic" is included because B&C hold that capitalism and socialism are each all-or-nothing. They each have to prevail throughout the entire world or they don't exist at all. Therefore socialism cannot be introduced in one country, or a

group of countries, but only throughout the entire world simultaneously. It follows that the CP regimes are not socialist, or that the rest of the world isn't capitalist. There is not much attempt here to figure out what makes different social arrangements tick, rather, B&C's "characteristics" of capitalism are the features of capitalism they wish to emphasize in their disputes with other Marxists.

B&C supply no reason why the socialism they describe couldn't work in one country or in one village, if it could work at all. They do give a sort of reason why the opportunity couldn't arise: that workers support capitalism because of ideology, and that any ideological change sufficient to cause workers to overthrow capitalism would have to spread with perfect evenness through the world's population. They find it "inconceivable that in a world which is integrated by the supranational market, the working class in a single country could choose socialism while beyond that country's frontier workers would continue to support capitalism" (65).

Surely this is unconvincing. Do ideas move that closely in concert? Is Islamic fundamentalism the same issue in Buenos Aires that it is in Cairo? But in any case this is a purely contingent reason having nothing to do with the essential workings of capitalism and socialism. It is a questionable general conclusion about socialism, rather than a defining feature of socialism.

### **Why Kautsky Went State-Capitalist**

Since the German Social Democrats were Marxists who paid lip service to the kind of moneyless socialism B&C would like, they have to explain how the Social Democrats went off the rails. B&C's explanation is rather unhelpful, since it amounts to asserting that the Social Democrats all along had state capitalism as their aim, presumably because they just knew no better (103). This simple, if baffling, account cannot be sustained for a moment.

The intellectual leaders of the Social Democrats made no bones about their commitment to a system of society rather like B&C's "socialism", with no money, no

wages, and no government. What were the most popular tracts of this movement? Engels's *Socialism, Utopian and Scientific*, Bebel's *Women and Socialism*, and Kautsky's *Erfurt Programme*, all very clearly committed to the imminent introduction of a moneyless society. B&C quote from the Social Democrats' Erfurt Programme of 1891 to show that its 'maximum' goal, communism, was couched in 'vague phrases'. They omit to point out that Kautsky's popular tract explaining this progress was luminously clear on the need to replace "production for sale" with "production for use".

They describe Kautsky as being, from the beginning, a "reformist", but all this means is that Kautsky, like Marx and Engels, advanced immediate reforms as well as ultimate revolution. This was natural, if only because the Social Democrats had to explain how they would vote on the issues which came up in parliament while they were still in a minority. But Kautsky had no reason to eschew reforms since, following Marx, he believed that there was something inherent in the class struggle that would tend to lead to socialism. Though B&C are proletarian patriots, the class struggle seems to play little part in their conception of the socialist revolution.

B&C give themselves some room for manoeuvre by briefly referring to "the part played by state capitalist ideology in the political thought of Marx and Engels" (151 n1). But they do quote something from *Anti-Duehring* about the modern state being essentially capitalist (118), without letting the reader know that two pages later *Anti-Duehring* proceeds to describe the introduction of socialism as the takeover of the means of production by the state (even though the state subsequently "withers away").

The plain fact which B&C's account conceals is that the intellectual leaders of the Socialist Party of Germany started from a position consistent with that of Marx and Engels, and fairly close to that of Buick and Crump. In the course of discussion and experience, these Social Democrats gradually came to modify their Marxist position. As spiritual descendants of this

tradition, one instructive approach for B&C to take would be to trace the historical events and discussions by which organized Marxism argued itself out of a position much closer to theirs. But they don't seem to be interested in this.

To some extent, the Social Democrats' retreat from Marxian communism arose from thinking in concrete terms about how it could be established. If one tries to imagine how society could move from capitalism to communism, there presumably has to be some kind of organizational structure to co-ordinate society-wide industry. This organizational structure would have to enforce its will against dissidents and recalcitrants who wanted to try something different from the policies democratically agreed upon. Therefore, the socialist administration would per force be a state, at least to begin with, and since the victorious proletariat would (in the view of B&C, apparently, as well as Kautsky) have to start by taking political power in the existing national governments, the state of the period of transition to socialism would be a continuation, in modified form, of the earlier states. Since B&C claim that socialism can't exist until the whole world goes socialist, socialist parties would have to take over national governments one by one, until they had taken over the last one on Earth. While they were waiting, it is not really plausible that they would run capitalism without making any changes.

This train of thought, which could be taken much further, is as obvious as it is unaddressed by the authors. It seems to me that, with the best will in the world, the Trotskyists and other Marxists with whom B&C take issue must be quite puzzled by their position on the transition (I speak hypothetically. I don't mean to imply that anyone has ever seen a Trotskyist with the best will in the world.)

### **The Failure of Marx's Prediction**

If we put ourselves in Kautsky's shoes and contemplate the transition to socialism, there is a further factor to consider. Marx had confidently predicted that industrial concentration would proceed without limit (other than the ownership of all industry by a

single firm). Firms would become ever bigger, both absolutely and as a proportion of the whole economy. Marx saw that there were economies of scale; it never occurred to him that there might be diseconomies of scale. This belief in the tendency for capitalism to destroy itself, because competition supposedly gives rise to monopoly, was integral to Marx's view of the emergence of communism.

Even around the time of Marx's death it was possible for well-informed people to suppose that some such process of concentration was occurring. By the turn of the century it was becoming clear that the trend to larger size was happening so slowly that there was room for debate about whether it was happening at all.

The early Marxists could believe that capitalism would itself create the organizational framework for the transition to communism, as Marx had expected. But quite early in Kautsky's career it became impossible to persist with this erroneous expectation, unless socialism were to be postponed for many generations. (Hence the tendency for some Marxists to look for the organizational route to socialism in control of the banking system or in the planning of the German war economy. The old route predicted in *Capital*. concentration of firm due to competition, had let them down.)

One result of the mistaken Marxian theory of concentration was that, when it was found that the average size of firms in Russia was larger than in the West, the Bolsheviks and others automatically concluded that Russian capitalism was 'more advanced' than the West. Actually, the firms were bigger because of extraordinary backwardness; the firm had to produce things in-house which in a modern economy they would find cheaper to buy from outside suppliers. Modern infrastructure and the sophisticated network of small suppliers was largely absent. Ironically, after 70 years of Bolshevik rule they are still largely absent, in no small part due to the prejudices the Bolsheviks took from Marx.

B&C state that it was Mises's writings which persuaded Kautsky to abandon the Marxian definition of socialism as lacking economic

"value" (135). This could be true, but it seems to be no more than an unsupported surmise. It is more credible that there may be some truth in the stories one bears of the influence of Mises on the Bolsheviks, especially Bukharin, in the 1920s.

As early as 1902 Kautsky was insisting on the need for money after the socialist revolution, "until something better is discovered". This was already a considerable departure from Marxist orthodoxy, and from Kautsky's earlier views, before Pierson or Mises had written on economic calculation. Kautsky's later writings don't betray any understanding of Mises, although it must be presumed that any active Marxist in the 1920s would have heard of Mises's brilliant and devastating argument. But Mises's 1920 article was itself prompted by the failure of the Russian, German, and Austrian revolutions, especially the Russian, with its determined and brutal attempt to stamp out the market, leading to the collapse of industry.

At any rate, participation in a mass movement which was apparently within sight of political power, and, later, involvement in discussions among Social Democrats who had assumed power (though as a minority government), had concentrated Kautsky's mind on the problems likely to be encountered in organizing a socialist society. As he stated in 1924: "The creation of a socialistic organisation is therefore not so simple a process as we used to think, when the problem had not approached so near to us." Exactly.

### **Economic Calculation**

B&C approach the economic calculation problem by quoting Pierson to the effect that a communist society would be unable to calculate its net income. B&C's reply is that, since there would be no money or prices in communism, there would be no need to calculate net income.

B&C completely miss the point of Pierson's argument, but let's first clear up a minor matter. The market does not require anyone to calculate the net income of the whole of industry - this only arises in Pierson's discussion, because Pierson is dealing with

the socialist proposal to plan the whole of social industry as one vast organisation. In the market, all that is necessary is that the innumerable separate enterprises each be able to calculate their own net incomes.

Now to the important issue, which B&C overlook. Net income means total goods produced minus resources used up producing them. 'Net income' does not owe its meaning to monetary valuation, even though it is difficult to imagine any other practicable way to measure net income. If net income is a negative quantity, then there has been net destruction of wealth. If net income is positive, there has been net creation of wealth. The larger net income is, the more wealth is available for consumption and investment. The smaller net income is, the less wealth is available for consumption and investment.

The communist administration would need to know net income in order to determine whether what looked like 'production' was actually destruction, calling for corrective measures, and it would have to know net income in order to determine how much was available for various consumption and investment purposes.

For example, it would be disastrous to embark upon some highly ambitious investment, say the irrigation of the Sahara, which would eat up resources that could be used elsewhere, and might not produce net income - goods exceeding resources used up - for several years. If more urgent wants would thereby go unsatisfied.

Thus, B&C are quite mistaken to say that net income is merely "the difference between the amount of exchange value in existence at the end as compared with the beginning of the year" (136), implying that by dispensing with money prices and thereby with "exchange value", one dispenses with the need to know net income. This is like saying that by abolishing inches or centimeters one would no longer need to measure lengths when building houses. The houses would still collapse if the lengths of construction materials were all wrong. This would not be averted by the builder's ignorance of any units to measure lengths.

It is strange that B&C have chosen to pick out only this one step in Pierson's (admittedly rambling) argument, and don't examine the arguments of Mises at all. Pierson's underlying concern, and his great achievement, was to see that, in the absence of prices for factors, there would be a problem about detecting misallocation of resources.

A factory operating at a loss may not look very different from a factory covering its costs. The factory operating at a loss may be technically excellent, everyone may work skilfully and hard, and useful goods may be coming out of the factory gates and going to grateful customers. But resources that could have been used elsewhere are coming in through the factory gates and are either being used up or, at least, temporarily withheld from other uses. Is it too much to expect Buick and Crump to be able to see that some kind of relation must be maintained between the resources going into the factory and the products coming out? And that the resources going in are mainly the outputs of other factories? And that this is a problem intrinsically independent of the existence of money?

If the factory is unprofitable, this reveals that its operations are destroying net resources, deducting from the net usefulness rather than adding to it. The factory operating at a loss must be put right, or closed down, or some decision must be made about subsidizing its operation, acknowledging that less resources will be available for other purposes. Society has to have some method for detecting operations which destroy more than they create, or which do not create as much as might be created with an alternative deployment of the same resources. This requires a comparison of outputs with inputs - of products with resources used up.

### **Calculation in Kind**

B&C refer to Otto Neurath's proposal for "calculation in kind" (calculation without any general unit of value), but characteristically, they pay no attention to criticism of Neurath's proposal, to the reasons why most Social Democrats rejected Neurath.

Neurath proposed that the socialist administration compare total social plans, that is, alternative plans for the whole of society's production. But there is an infinite number of such possible plans, and the optimal plan keeps changing. In one of his examples, Neurath supposes that the socialist office for central calculation in kind has to choose between 1. a hydro-electric dam and specific agricultural improvements; and 2. a steel mill and a canal. This would be done by a political appraisal of these two options, without recourse to any general units.

In the first place, these two alternatives would not use up identical quantities and kinds of factors of production. There would have to be a comparative valuation of the resources left over in either case. But this means looking at the potential products of those resources, and hence the whole of aggregate production would have to be simultaneously assessed, according to each of the alternatives available. It is a choice between millions of such things in each option, not merely two, and there are not just two options, but billions upon billions. Furthermore, a steel mill or a hydro-electric dam are not final products. They can be built only on the basis of a guess about the future. Each of these entities has to be continually monitored, day by day, after it has been built, to ensure that it produces more wealth than it consumes.

Neurath overlooked the fact identified by Mises, that there is an "intellectual division of labour" permitting the market to draw upon the information possessed by all the separate market agents. It is not feasible to concentrate this knowledge in one central office, as Neurath envisaged. Consequently, there has to be some system which permits individuals and groups to improvise in the light of their own knowledge, on the basis of signals summing up the effects of the improvisations of all individuals and groups in society. In this way there is a constant groping towards the optimal 'plan' (an unplanned approximation to what the hypothetical optimal plan would have been), without anyone ever knowing what it is. B&C counterpose the "exchange value" calculations of capitalism with the purely "use value" calculations of socialism. They assure us that "socialist society still has to be

concerned with using resources efficiently and rationally, but the criteria of 'efficiency' and 'rationality' are not the same as they are under capitalism" (137). What are they then? B&C proceed to give two answers, but the first answer is more of a red herring than a genuine attempt to solve the problem.

### **The Market's Shortcomings**

In order to explain the criteria for using resources under socialism, B&C tell us that capitalism, concerned with cutting monetary cost, injures workers' health and welfare, and damages the environment. The dialogue between Marxian communists and their critics goes something like this: 'Let's abolish air travel, and instead walk around on our hands!' "That doesn't sound as though it would work." When you travel by plane, your coffee is sometimes spilled!' 'But this walking around on our hands ... wouldn't there be a problem?' 'And sometimes the sound isn't too good on the mid-air movies!' "Yes, but how could we move the present volume of goods around the world?' 'Look, planes sometimes crash, and then hundreds of people die. Are you going to defend *that*'?

It is a mistake to think that, because we can look at the market and make improvements in the way it operates, we can therefore supplant the market with some other system. It is possible to examine the market and make the judgement that production costs measured in market prices are in some way defective. Thus, one might observe that a factory dumps waste in an unowned lake, so that people living near the lake or people who want to fish in the lake are made worse off. This is one of the costs of running the factory that isn't being taken into account. The consumers of the factory's products are being subsidized by the anglers and lakeside residents. The fundamental reason for this inaccuracy in the price system is that the lake is unowned. A legal change has to be made so that the costs considered by the factory management correspond, as far as is practically feasible, with true social costs.

Once the lake is privately owned, then either the factory will have to pay the lake-owner to use it as a waste dump, or the factory will have to find somewhere else, probably at greater expense, to put its waste. The

products of the factory will then be fewer and higher-priced.

When "capitalism" (a market operating in a defective legal framework) "destroys the environment", we should be clear that there are benefits of this, as well as costs. The benefits are enjoyed by the consumers of the products whose production damages the environment. In B&C's language, some human needs which are now being met must go unsatisfied if that environmental destruction is stopped. It is, of course, frequently right that they go unsatisfied, but we should understand that this is the cost of maintaining the environment.

It is one thing to identify an inaccuracy in the market's costs and take steps to remedy it, and quite another thing to replace the market completely. There are billions of different factors of production and their prices are changing continually. It is practicable to look at a few prices, give general reasons why they are inaccurate or unsatisfactory, and make adjustments. It is not practicable for all the information conveyed by market prices to be centralized in one place and used to compute costs for all these factors.

### **A Points System**

B&C's second answer (actually their sole answer) is "a points system for attributing relative importance to the various relevant considerations" (138). But this would, they emphasize, not be analogous to a system of prices: "Using points systems to attribute relative importance in this way would not be to recreate some universal unit of evaluation and calculation ... The advantages/disadvantages and even the points attributed to them can, and normally would, differ from case to case."(139)

Consider what this means. An enterprise is determining the best way to manufacture TV sets. One of the costs of doing so is using up copper, which could have been used for alternative purposes. Some of those alternative purposes are ruled out if the copper is used by this enterprise to make TV sets. The enterprise has to decide which techniques of production to use, consuming greater or lesser amounts of copper. Associated with greater amounts of copper

are cost savings in other resources, or quality improvements in the TV sets produced, so the enterprise has to determine whether these advantages of using more copper are outweighed by the costs of production.

It is obviously impossible to make a decision that has any rhyme or reason whatsoever, unless the benefits from the production of TV sets, and all the thousands of different kinds of costs associated with making TV sets, including the use of copper, can be compared in the same units.

In the system proposed by B&C, these units are "points". But, they say, the points attributed would normally "differ from case to case". It isn't clear whether, by "from case to case", they mean from industry to industry, from one geographical location to another, from enterprise to enterprise, from one project to another at the same plant, something else, or all of these and more. But whatever they mean exactly, the objection is in principle the same: if the points differ from case to case, they won't do the job.

This should be clear from the example of the enterprise making TV sets. This enterprise is considering using up certain quantities of copper. The copper available to it is dependent upon existing copper stocks, how much copper is produced, and how much is used up by other enterprises. All these are interconnected. There is one world supply of copper, and in the market there is one copper price.

The interconnectedness would be broken by B&C's system. There would no longer be any feedback from one enterprise's use of material to another enterprise's use. There is no longer any guarantee, for instance, that the "points" attributed to pounds of copper by our TV-producing enterprise will reflect aggregate supply-demand conditions for copper in the society as a whole. If other enterprises increase their uses of copper, this will not be reflected automatically by an appropriate increase in the "points" attributed by our enterprise to a pound of copper.

(It is possible that B&C may share the view of Bordiga and others that there will be no 'enterprises' under communism. The words 'local association of producers', or some

other phrase can easily be substituted for "enterprise" above. B&C don't seem to envisage all decisions for world industry being made in one office, so there will be separate, local decision-making centres.)

Monetary calculation enables people in the market to find the least-cost combinations of factors. Minimizing costs in one line of production means economizing on the use of resources. The point of economizing on the use of resources in one line of production is that more resources are left over for other lines of production. For this system to work, it is vital that prices throughout the entire market be linked.

### **The Points System is Pointless**

If total world demand for copper increases, the price of copper rises everywhere, and each potential user of copper attributes a higher cost to copper, becoming more reluctant to use copper. This cannot occur if the units in which the cost of copper is being measured vary at will from one context to another. There is then no mechanism to ensure that the total demand for copper will not exceed the total supply, leading to production crises all over the place, because plans laid on the basis of expectations that specified amounts of copper would be available have to be abruptly cancelled when copper fails to be forthcoming. Thus, any effective system for co-ordinating production must have a single price for each resource (or a cluster of closely-related prices which move up or down together). If some such system doesn't exist, then planning production becomes impossible. Under these circumstances, the society-wide productive apparatus will break down; there will be universal destruction, collapse and famine, until market prices are permitted to re-emerge.

The reason why B&C are so averse to "some universal unit of evaluation and calculation" which would be "objective" may not be clear to all readers. To Marx, the most offensive thing about the capitalist mode of production was that it was unplanned, that allocations were made "by an invisible hand" (Smith) or "behind the backs of the producers" (Marx). The system of market prices is spontaneous and automatic. It is, as Marx aptly put it,

"anarchy of production". The allocation of resources is not "consciously" contrived by assemblies or committees, it emerges from everyone doing what they like within the limits of a system of rules. Consequently, the market follows "objective" laws rather than conforming to subjective wishes; that is to say, the market is not transparent - the way it operates has to be discovered. B&C have grasped the fact that, if once they countenance some automatic signalling system which operates between production organizations, being influenced by each organization, and then feeding back into each organization's decisions, they will have admitted the dreaded "anarchy of production".

But this concern of theirs is futile for two reasons. Any social order has complex interactions between individuals, which may go unnoticed, and which have results no one intended, these results then constraining the actions of individuals. And advanced industry cannot operate without an automatic signalling system to inform producers of the ever-changing costs of using resources. Anarchy of production is here to stay.

### **The Appeal to "Abundance"**

B&C state that socialism presupposes "abundance", which they define as a state of affairs where "resources exceed needs" (137). If this is taken to mean that available resources already exceed all actual and potential uses, then there is no reason for any economizing in production. There is no need for any "points system", nor indeed would such a "points system" be possible, since all resources would be available in practically unlimited quantities. There could be no concern for environmental damage, since it would be impossible to damage the environment, all valued components of which would exist in abundance. It is not surprising that B&C make no attempt to argue that this state of abundance is possible; most of their discussion simply assumes that it is not possible.

We therefore have to guess that "resources exceed needs" means that there are enough resources in the world, assuming that they can be efficiently deployed, to provide everyone with a tolerably decent life, as

conceived by a couple of Englishmen in the 1980s. I don't dispute that this is possible, though under the best circumstances (complete *laissez-faire* throughout the world) it would probably take a decade or two to achieve. This does not imply that 'scarcity' of factors of production, in the technical sense of economic theory, has ceased or will cease to prevail. It does not imply that production can be carried on without paying any attention to economizing

On the use of the available resources. Therefore it does not enable us to dispense with market prices.

B&C triumphantly point out that "conventional" (non-Marxist) economic theory "admits" that if there were abundance, there would be no need for prices (132). They go on to say that the definition of abundance, or absence of scarcity, employed by conventional economists is "quite unreasonable". B&C agree that availability of all goods in unlimited supply (absence of scarcity as seen by modern economics) is "impossible" (132). However, they overlook the fact that, in rejecting this "quite unreasonable" definition, they are not entitled to extend the economists' "admission" to their alternative definition.

Conventional economists do not admit that the price system could be dispensed with, given "abundance" in B&C's sense. Their definition is too vague and demagogic to be of any use in serious discussion. B&C solemnly provide quotations from Nove and from Samuelson (152 n2) stating that, if there were "abundance", there would be no competition and no economics, notwithstanding the fact that B&C themselves admit that "abundance", in the sense meant by Nove and Samuelson, is an impossibility. How can B&C be so sloppy? They seem to imagine that words have some meaning independent of linguistic convention.

The need for the price system arises from the need to choose how to allocate resources, where one use competes with other uses. This competition between use would disappear with disappearance of scarcity, in the technical sense of modern economics. But would still remain with the

disappearance of scarcity in B&C's sense.

B&C should not have claimed support from conventional economic theory. They should have advanced arguments for their claim that the allocational function of the price system can now be dispensed with. They advance none. Indeed, they contradict this claim, since they say that "socialist society still has to be concerned with using resources efficiently and rationally" (137). Their points system is supposed to replace the price system as a means of using resources efficiently and rationally. But this has nothing to do with scarcity or abundance.

If their points system would work better than the price system today, there is no reason why it wouldn't have worked better than the price system fifty or a hundred years ago. But as historical materialists (historical mystics) B&C are committed to the view that dispensing with the price system would have been impracticable 100, or perhaps 200 years ago. It's a puzzle why they should think so, or indeed why they should suppose that the price system couldn't have been dispensed with 10,000 years ago. If the price system is so terrible, and their points system, which they now (after 140 years of Marxism) offer (in less than a page) to replace the price system, is so simple and obvious, it's a pity someone didn't tumble to the Buick and Crump points system before the rise of Sumer.