

Why the Market is Not Inevitable

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In his review in *Free Life* (Vol.6, No.2) of *State Capitalism: The Wages System under New Management* by Adam Buick and John Crump (Macmillan, 1986), David Ramsay Steele chides us for not taking into account the views of so-called 'analytic Marxists' like G.A. Cohen on the labour theory of value.

The discussion on the labour theory of value ended before the First World War when the criticisms Steele trots out, which all derive from Böhm-Bawerk, were refuted once and for all by Hilferding and by Louis Boudin in his *Theoretical System of Karl Marx*. So there's no need to go over this boring old ground again.

Since, however, Steele wants a bit of 'analytic Marxism', by way of reply to his review I'll subject four of the statements that occur in his article to rigorous logical analysis, namely:

1. 'The need for the price system arises from the need to choose how to allocate resources, where one use competes with other uses'.(p. 23)
2. 'Advanced industry cannot operate without an automatic signalling system to inform producers of the ever-changing costs of using resources'.(p.22)
3. 'All characteristics of the market flow from the interaction of mutually autonomous traders. Without this autonomy, nothing of the market exists'.(p. 16.)
4. 'The state can get capital only by taking it from individuals'.(p.16)

The first two will be analysed to show that they do not prove, as Steele believes, that a non-market, priceless system is an impossibility. The second two will be analysed to show the validity of the concept of 'state capitalism' which Steele attempts to deny.

1. 'The need for the price system arises from the need to choose how to allocate resources, where one use competes with other uses.'

'The need to choose how to allocate resources' is a feature of all human societies, as all of them have to engage in production in order for their members to survive. Production is the use by humans of resources, including their own mental and physical energies, that originally came from nature, to transform parts of the rest of nature into things that are useful to human social life (wealth). Production by its nature involves the allocation of resources.

In his statement above Steele is saying that this 'need to choose how to allocate resources' (A) implies 'the need for the price system' (B), 'where one use competes with other uses' (C). This last phrase can only be interpreted as a condition for the statement 'that A implies B'; in fact it must be regarded as the only condition for this, for if Steele had thought that A implies B under all conditions he would not have added any condition, and if he believes that there is some other condition besides C that would make A imply B he would have mentioned this (or these) too. As he didn't, we can therefore assume that his statement means:

The need to choose how to allocate resources implies the need for the price system only where one use competes with other uses.

Since, according to the rules of logic, the statement 'A implies B only where C' implies the statement 'A does not imply B where not C', let us take a closer look at C, Steele's condition for 'the need for the price system'.

If Steele can show that this condition is an essential part of the human condition as are production and the consequent 'need to choose how to allocate resources', then his case is made: 'the need for the price system' would also be an unavoidable part of human existence.

One difficulty for him, though of a factual rather than logical nature, is that for most of the time that humans have been in existence, engaging in production and choosing how to allocate resources, they have done this without the price system; in fact until comparatively recently the price system only applied to a limited range of products. If Steele were a logic-chopper, as could well be the case, then he could argue that the fact that humans did exist for millennia without the price system does not necessarily mean that they didn't 'need' it, but I'll leave him to make this point if he wants to. In any event, the history of humanity at least shows that humans can exist without a price system.

To return to his condition for the need for the price system - 'where one use competes with other uses' - what precisely does it mean? Steele seems to mean a situation where resources are not available in sufficient quantities to meet all the uses to which humans wish to put them and that, therefore, the various uses are in competition with each other.

It is not clear whether he means just some resource or all resources. Since Steele is defending conventional economics which admits that if some resource is available in abundant supply, as is the air we breathe, then it does not need to enter into the price system, and since I have no reason to suppose him to be *plus royaliste que le roi* here (at least I think not, but you never know with some of these free marketeers: they seem to want to put a price tag on everything including human babies). I will assume he means most resources and not all resources. So we now arrive at:

'The price system is needed where most resources are available in insufficient supply to meet all the uses to which humans want to put them.'

I say 'want to put them' rather than some such phrase as 'conceivably might want to put them' as Steele uses the present tense in his original statement of the condition: 'where one use competes with other uses'. This is an important concession on his part which is not normally made by conventional economics; they generally write such competition into their definition of

economics by making human wants 'infinite'. Steele seems prepared to admit that needs could be finite; in other words, that it is possible to conceive of a situation where the number of uses to which humans want to put resources would be limited. But if you accept this, then you must also accept, at least as a possibility, that resources could be available in sufficient quantities to meet all actually-wanted uses.

Such a situation would mean that, at least for most resources, one use would not be in competition with other uses. All uses could be met; one use could be met without this having to mean that some other use would have to be forgone.

So, by 'where one use competes with other uses' Steele must be understood as meaning 'where most resources are available in insufficient supply to meet all the uses to which humans want in actual practice to put them'.

We are now able to work out the situation in which even Steele admits that the price system would not be needed: where not C, A does not imply B. In this case:

'The need to choose how to allocate resources does not imply the need for the price system where one use is not in competition with other uses'.

Are resources at the present time, or could they become so in the new future, available in sufficient supply to meet the uses to which humans will in practice want to put them to satisfy their needs? I would argue that we have indeed reached this stage, that we have reached a situation where, as Steele puts it somewhat facetiously, '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'. And even if we haven't, it is at least theoretically conceivable that at some stage we will.

Two further points, which are interconnected, need to be made. First, contrary to what Steele says, the need for the price system does not arise from uses for resources being in competition (from resources being

'scarce'). It arises from resources being under the exclusive control of private individuals and groups of individuals (from resources being 'private property').

The price system is in fact the system that governs the ratios at which articles of private property exchange. If resources are not private property but commonly owned the price system is not required, and in practice does not come into being even if uses are in competition with each other. This explains why humans existed for so many years without the price system, which on Steele's theory is a glaring, inexplicable anomaly.

The second point is that, even today, not all resources are, or could soon be, available in sufficient supply to meet all uses for them. Land is an obvious case in point: a piece of land cannot be used at the same time for housing and for farming or for farming and for a power station. However, in a socialist society of common ownership, deciding on which use to put particular pieces of land will not require the price system. Some criteria will indeed have to be developed for deciding what use to put them to - this was why Crump and I suggested some sort of points system for such cases (and which Steele has blown up from a mere suggestion as one possible solution to this particular decision-making problem into a full-blown alternative to the price system for all productive decisions, which it was never intended to be).

2. 'Advanced industry cannot operate without an automatic signalling system to inform producers of the ever-changing costs of using resources.'

Logical analysis reveals this statement to be based on the non-stated - and erroneous assumption that 'advanced industry cannot operate without ever-changing costs of using resources'.

It is in fact easy to envisage a situation where 'the costs of using resources' would not be 'ever-changing'. It would in fact be a variety of the same situation whose existence would disprove Steele's statement No. 1 above: a situation where most resources were available in sufficient supply to meet all the

uses to which humans wanted to put them to satisfy needs.

Imagine a situation where human needs were in balance with the resources needed to satisfy them. Such a society would already have decided, according to its own criteria and through its own decision-making processes, on the most appropriate way to allocate resources to meet the needs of its members. This having been done, it would only need to go on repeating this continuously from production period to production period. Production would not be ever-increasing but would be stabilized at the level required to satisfy needs. All that would be produced would be products for consumption and the products needed to replace and repair the raw materials and instruments of production used up in producing these consumer goods. This has been called by some economists a 'steady-state economy' and corresponds to what Marx called 'simple reproduction'.

Indeed, except for those economists who make the silly assumption that human needs are 'infinite' (from which Steele to his credit has distanced himself), this is the goal to which economic development is tending. After all, there can be, no point in simply developing the means of production for its own sake (even if this is what happens under capitalism, indeed is its whole dynamic). The only rational reason for developing means of production is to eventually be in a position to satisfy the consumption needs of the members of the society where this is happening. Once this stage has been reached then production can level off and a 'Steady-state economy' come into being. This at least was how John Stuart Mill and Keynes, among others, saw the future.

Socialism will eventually become such a 'Steady-state economy' (after perhaps a decade or two, to accept Steele's estimate of how long it would take to 'provide everyone [in the world] with a tolerably decent life, as conceived by a couple of Englishmen in the 1980s'). Now, the point about such a situation is that there will no longer be any imperative need to develop productivity, i.e. to cut costs in the sense of using less resources; nor will there be the blind pressure to do so that is exerted under capitalism through the market. Of course, tech-

nical research would continue and this would no doubt result in costs being able to be saved, but there would be no external pressure to do so or even any need to apply all new productivity enhancing techniques (strange as it might seem to Steele, people might choose for instance to do some things by hand rather than use a more productive machine, because of the pleasure they feel they could get from handicraft).

Having said this, I would think it reasonable to assume that a steady-state socialist society would want to save on costs (use of resources) in some cases, but this will be able to proceed at such a rate as to be easily accommodated into the original balanced situation between resources and uses that has been established. There wouldn't be the same frenetic drive to increase productivity by cutting costs which results in the 'ever-changing costs' that is a feature of capitalism. In any event, in a society of common ownership and democratic control, the pace of technological change would be under conscious social control through the various democratic decision-making processes that would exist.

So, contrary to what Steele implies, advanced industry could operate without the market.

3. 'All characteristics of the market flow from the interaction of mutually autonomous traders. Without this autonomy, nothing of the market exists.'

This extravagant claim - or is it a definition? - would mean that any buying-and-selling system in which the State interfered in the trading process could not be described as a market system. Maybe, if you want to define the market in this somewhat eccentric way as a buying-and-selling system in which there is no State interference whatsoever. But since States have always interfered in the trading process, if only through taxes, then one consequence of this definition is that Steele is saying that the market has never existed. I don't know if this qualifies as a case of refutation according to the logical principle of *reductio ad absurdum*.

Of course the market in the sense of the buying and selling of wealth has existed.

What has differed from place to place and from historical period to historical period is the degree and nature of State interference. The system that has just collapsed in Eastern Europe and is in the process of collapsing in Russia itself was not a non-market system. It was a state-regulated market system (in fact, a state-regulated market and profit system, or state capitalism as Crump and I called it). Such a system might not be the most efficient form of market system but, since it does involve the buying and selling of wealth, it is nevertheless a market system.

4. 'The state can get capital only by taking it from individuals.'

This is only true where the State is not itself engaged in organizing the production of wealth for sale on a market. If the State is simply an administration and a public power of coercion, it is indeed the case that it can only get the resources to maintain its administration and its armed forces, courts, police, prisons, etc. by taking them from those engaged in productive activity. But if the State is itself engaged in productive activity - if it acts as a capitalist itself - then it can get resources in the same way as any individual capitalist or capitalist firm does: as a 'reward for entrepreneurship' as Steele would put it I suppose or as a result of exploiting wage-labour as I would put it. If Steele denies this, then he is logically compelled either to deny that a capitalist firm (as opposed to a capitalist individual) can get capital itself or to argue that like the State a capitalist firm can get capital only by taking it from individuals. One way out for him would be to argue that a capitalist firm is only a grouping of individual capitalists. Fair enough, but then so is the State when it engages in organizing production for sale on a market: it is also the collective capitalist (whether one grouping all the individual capitalists operating within its borders or one grouping the top officials of the State). So, once again, the concept of state capitalism is validated.

One final word. Steele tries to conclude that this defence of the meaningfulness of the concept of state capitalism means that Crump and I 'manifest a pronounced bias in favour of state capitalism'. This is not only an illogical deduction but is insulting. I have

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spent virtually the whole of my political life opposing state capitalism and denying that it has anything to do with socialism or is in any way better than private capitalism. Steele knows this very well as a part of his political life was spent doing the same. In fact, if I may be, permitted to commit the logical error of using an *argumentum ad hominem*, the article 'Smash Cash' that he wrote in *Oz* in 1968 remains a classic statement of the case for getting rid of the money-price-market system.

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