

# **Socialism, the Market and the State. Another View: Socialism vs Proudhonism**

*H. H. Ticktin*

Many replies are possible to Professor Selucky's essay. The easiest and the least interesting is to refute the argument that Marx was in favour of decentralised, self-governing communes, without any form of centralised control. The clearest refutation of Selucky's thesis and of his own quotation is to read the context of the quotation which he cites as evidence. All Marx actually says in this connexion in *The Civil War in France* is that the Central Government must be connected to the local units in the most democratic fashion possible. He explicitly states that "the unity of the nation was not to be broken"; he speaks of this unity being a "powerful coefficient of social production"; he refers to the "few but important functions" of the central government, and then produces, a few pages later, a clear statement which gives very little support to the views of Selucky: "If co-operative production is not to remain a sham and a snare; if it is to supersede the Capitalist system; if united co-operative societies are to regulate national production upon a common plan, thus taking it under their own control, and putting an end to the constant anarchy and periodical convulsions which are the fatality of Capitalist production – what else, gentlemen, would it be but Communism, 'possible' Communism?"<sup>1</sup> In other words, Marx is consistent in arguing both against the market and the state. It becomes difficult then, to accept even the introduction of Selucky's article, where he speaks of two schools of Marxists which are divided over the use of the market.

1. Hal Draper (ed.) Karl Marx & Friederich Engels: Writings on the Paris Commune, M.R. 1971 New York pp.74–77.

There is in fact only one tradition – that the market will cease to exist under socialism. This was re-affirmed in 1925 in a debate in the Communist Academy in the USSR, where the leaders of the right and left agreed on this proposition. This attitude, as is well known, was adopted by Stalin, with the difference that he declared socialism to have already been constructed. The question of whether a market may not have to exist for a longer or shorter time during a transition period is also not in dispute. There may be differences in timing or in relation to particular countries, but there is no contention here either. There is a dispute among East Europeans on the nature of the market, but it has little to do with Marxism. Once the view that Eastern Europe is socialist is abandoned the question of the introduction of the market in those countries becomes pragmatic and not theoretically interesting at all for Marxists. Indeed it is quite obvious that if it were not for the official use of Marxism, the debate in Eastern Europe would not even refer to Marxist concepts. Professor Selucky cannot, therefore, appeal to the support of any Marxist school of thought, past or present, which takes the view that market must always exist. It is important to realise that Selucky is speaking of what the ideologues of the USSR would call communism, but Marx and his immediate followers referred to interchangeably as socialism or communism.

The distinction between socialism and communism was made in the early twenties in the USSR, the former being used to apply to the phase of bourgeois distribution – non-market though it be. The transition period, on the other hand, was precisely the period in which the pre-conditions for socialism were to be achieved. Many semantic hybrids have been constructed and can be dreamed up, but the whole matter has been inextricably entangled with Stalin's declaration that socialism had been constructed in the USSR in 1936. Since this was the period of maximum terror and minimum living standards, it is quite clear that the Stalin constitution served only propaganda purposes, particularly for foreigners. As a result we are, in fact, left with four different kinds of societies: communism, socialism, transitional societies, and deviant transitional societies like the USSR. The exact term which one should apply to the latter makes no difference in this connexion. The point is that the USSR is not a society in which socialist elements are dominant, or becoming dominant. The really important problem being put by Selucky can then be discussed in the context of these four types of society. The question would then appear to be: Is a market necessary because centralised planning cannot be reconciled with individual freedom, unalienated man or grass-roots democracy? This is then linked to a second question: Since the Marxist tradition has taken this reconciliation for granted, why does such a problem arise for someone purporting to be within the Marxist tradition? The answer to the latter question obviously lies in the practice of Eastern Europe.

In what follows, therefore, I shall assume that it is unnecessary to further quote Marx or Marxists to argue the incompatibility of the market with socialism or the connection between the ending of the market with the extinction of the

state since Professor Selucky has already performed this task. That such well-known anti-Marxist thinkers as Professors Wiles and Nove should find the market either irreplaceable or its replacement the road to serfdom is, indeed, only to be expected, given their assumptions. An argument with them is quite another matter, since it involves less the nature of socialism than the nature of capitalism.

Whatever the tradition, the question still remains as to whether and why socialists and Marxists have opposed the market in the name of democracy or freedom. Clearly if there is an insuperable contradiction between the market and socialism and Selucky is right that central planning leads to a non-democratic or authoritarian society, then socialism is doomed. Selucky thinks that socialism and the market can be reconciled but his reasons and his conception of socialism have to be deduced from his article and his public seminars. He has rightly argued that it is a question of method, not doctrine, in relation to a discussion around the market. This, however, is the root of his problem. His method is wrong. He has perceived capitalism as a wasteful, irrational system economically, and alienative philosophically. He has obviously no time for what he terms Marx's moral condemnation of money and commodities. He has somehow produced a positivist view of Marx, separating into different elements precisely what is inseparable. He has turned on its head what most Marxists regard as the strength of their viewpoint — its total, all-embracing nature, its rejection of arbitrary separations on the lines of bourgeois disciplines. Indeed Marxists usually see the capitalist system in terms of certain basic laws of motion which are both the product of and manifest themselves in insuperable contradictions. That capitalism is wasteful and irrational and alienates man from himself says little. The same could be said of all hierarchically ordered societies from slave-owning society to Eastern Europe. The question of alienation helps extraordinarily little here in understanding Marx's critique of the market. Selucky does not attempt to sit or define the market as a separate institution of capitalism. He begins by producing nine functions of the market — most of which are typically reproduced by Soviet bloc textbooks on political economy — and then proceeds as if he has thereby established the nature of the market. In a word, he has set up his own concept of the market and separated it from capitalism by simple definition and then produced a separate critique of capitalism based on alienation. Put differently, he has a functionalist understanding of the market and an ethical condemnation of capitalism. This view and this method is his own, to which he is entitled, but he has no right to foist it on Marx.

The problem with a method of understanding capitalism based on alienation is that it presupposes a concept of unalienated man. This is why it is necessarily ethical because it must set up some more or less ideal human nature. That is indeed the way Marx began before he moved on to historical materialism and political economy. He then rejected this abstract view imposed on society and attempted to elucidate the socio-economic contradictions in the society itself. The alienation which he then spoke of was subordinated to his overall analysis of class relations under capitalism rather than the reverse. The primary concept

is the extraction of surplus value (or exploitation of the worker). It is from this relation that a particular division of labour is established both in the society and in the factory. It is the establishment of labour power as a commodity — allowing the extraction of surplus value — which gives fetishism of commodities its power to permit the domination of the capitalist class over the worker and the domination of the system over man himself. If, however, alienation only leads us back to the extraction of surplus value, we have to ask the question of whether a non-alienated system can exist in the presence of the extraction of value. Selucky has really produced a dehumanized analysis by abstracting from value as a qualitative concept, from class relations in any society. Thus in the value producing society of autonomous producers — one set of autonomous producers will be able to dictate to another if they happen to control a product of strategic importance. Commodity production will continue to mystify and dominate as before with the sole difference that those in control will presumably be the economists and managers. Since Selucky specifically retains the capitalist-determined division of labour, the autonomy of the producers can only mean the autonomy of the enterprise executives and their ilk.

There are those who then rely on the argument that value and commodities existed before capitalism. So they did. It, however, has never been said that petty-commodity production constituted an entire mode of production or socio-economic formation. It is usually considered at most as a particular form of production relations existing in the transition period to capitalism. If we realise that it has only existed in transitional societies, we have to analyse the reasons. This is a large question but one aspect is clear: simple reproduction of commodities leads inherently to expanded reproduction: *in other words, value production tends to the production of a surplus.* Historically this has meant the extraction of surplus value and hence the separate individual producers extracting value only for themselves had of necessity to give way to capitalist relations. Put another way: the law of value has had an inherent tendency to lead to the extraction of surplus value. If we ask, in turn, the reasons for this, the reply cannot only be that it has always been so. The answer lies in terms of the control of the surplus. If the law of value exists and there are, therefore, autonomous producers, they will necessarily develop a stake in their own particular enterprise. They will want its expansion to be as rapid and wide-ranging as possible, as long as their own rewards are connected to the development of the enterprise. *In different words, they will act as individual accumulating units.* The necessary competition so engendered must in principle lead to higher productivity, rationalisations and, to be consistent, enterprise redundancies. Since it is not the few executives who are to be redundant, a system of control over the workers will become necessary. Further, since the executives will run the plants, the incentives directly related to the size of the surplus will accrue to them. The surplus is necessarily too small to have a material incentive effect on more than a few in the factory. The chosen few must inevitably be those at the top of the hierarchy of the division of labour. With Selucky's

assumptions, therefore, the law of value necessarily becomes a law of surplus value. This is not the same as saying that if profit is an indicator, surplus value is being extracted. Where the surplus accrues to the society directly through a central organ and the society is centrally planned, attempts to produce a given level of surplus do not necessarily become value relations.

Selucky, in fact, has made four illegitimate assumptions. The first three are: that competition will always exist, that scarcity cannot be overcome and that there will always be a hierarchy in the division of labour. For an audience of orthodox economists this is nothing new, but for socialists (let alone Marxists) it is a total abandonment of the fort for the old positions. With these assumptions it is not necessary to produce the elaborate article he has written. It follows as night follows day that a market has to be maintained under these assumptions. It also is clear that attempts to suppress a market under these conditions can only lead to a strong and repressive state to maintain order and ensure that at least some instructions are carried out. His fourth assumption is that central planning is necessarily oppressive and undemocratic. On this last point I have already argued at length that planning in the absence of democracy ceases to be planning — i.e. the plans in these circumstances play an organisational, exhortatory role rather than of genuine co-ordination, consistency, fulfilment and prediction. In respect of his other three pre-suppositions, the usual argument against them has been in terms of education and re-education. There is no reason to suppose that human nature is necessarily competitive or acquisitive. A given high level of consumption can be accepted for all. Secondly there is no reason to assume away the power of science, especially in terms of its past record. Since socialism would lay particular stress on science in terms of resources and better education, one would expect a rapid rise in the level of technology.

If we accept his assumptions, what kind of society would arise? Firstly we are giving the power to each individual commune to produce and supply more or less of everything which it deals with. It is clear that, if it performed arbitrarily, it could affect everyone and every unit which supplied or consumed the products involved directly or indirectly. Thus, it would cause chaos or establish the control of a particular group or groups. Secondly, since for Professor Selucky the social division of labour cannot be overcome and neither can scarcity, we must presume that those highest in the hierarchy will, as now, allocate themselves the highest incomes. Even if we did not assume that we would have rich and poor enterprises, something which Marx foresaw and condemned in his famous statement to the League of Communists in March 1850,<sup>2</sup> there would also be all the other tendencies operative in a capitalist economy — monopoly power, unemployment, inflation, business cycles, etc. The answer then provided is that the centre will regulate the process. There is, however, no

2. Marx: *The Revolutions of 1848*, Penguin London 1973 p.328.

way yet invented to effect such regulation without destroying the market itself. Thus if taxes are placed on the more productive enterprises this will reduce their incentive and, still worse for Professor Selucky, the enterprise will have its freedom restricted by the centre. Indeed Professor Selucky ends up in a contradiction which he cannot resolve since he must assume either that there is trust in the centre or that there is not. Presumably with competition he will argue the second but then the situation becomes intolerable since there is a simple repetition of what exists in Eastern Europe without its controls. This will occur because the independent enterprise will minimise its information to the centre to avoid taxation and, if prices are fixed by the centre, obtain prices compatible with the highest profit. If, of course, he assumes trust and identity of interest with the centre then the market is itself unnecessary since direct instructions rather than monetary incentives will prove sufficient. Again investment will surely have to be the function of the centre for, if it is not, there will be the growth of monopoly. Alternatively there could be a stock exchange. Since the intellectuals will patently still have the power, why will they not appropriate the surplus value produced for themselves? Indeed as long as we assume a hierarchy of social labour plus scarcity, we must also assume controllers and controlled, rulers and ruled, the managerial intelligentsia and workers.

It is at this point that the essential basis of the Selucky view becomes apparent. Since it is theoretically possible to consider small enterprises competing with each other, controlled by banks, it is generalised to the economy as a whole on similar lines to Proudhon. These arguments are not simply Proudhonist but the reflection of the views of the Eastern European intelligentsia which regards itself as indispensable to the production process in the posts of managers, but managers of a Proudhonist type.

Control over the enterprise by the centre in any event contradicts the decentralisation so desired by Selucky. Yet it is only through such control that some effects of the law of value could be tempered. What, however, is wrong with centralisation? Selucky's attitude to it is obviously bound up with his experience of the tremendous power of the East European states and of the atomisation and helplessness felt by the East European intellectual.

It is obvious that if there is no State and only a central administration, the problem withers away but this appears only to avoid Selucky's questions. Can central planning exist without domination over the producers? What is the nature of administration under socialism — does it involve political parties? To pose the questions is to realise their origin. The all-powerful state of Eastern Europe, fused with the economic apparatus these control, has a degree of control over man never witnessed before this epoch. I have argued this point in *Critique 2*, but the problem here is to site the class nature of this state and explain its origins. This is where Selucky should start and not with an abstract antinomy absent in Marx but very much present in the minds of East European intellectuals. In his argument, no mention is made of the difference between a transition

period and socialism nor yet of the nature of the East European societies. It might be argued that his argument is at a higher level of abstraction but his antagonism between central planning and freedom is simply unproven both with regard to Marx and as an abstract statement. Again, his declaration that it is quite hopeless to overcome the division of labour in society is never argued; it is simply taken for granted. Unkind individuals might take this as a charter for the privileges of East European intellectuals.

Concerning the division of labour, it is clear that not every man can be his own doctor, but the administration of the economy, involving as it does choices which affect every one in the society, might well involve everyone in the society. The argument of economists that their science is too technical for most to understand is specious for two reasons. What is required is that people understand the problems, not that they have the mathematical apparatus to solve them if that is required. In the second place, modern economics has become highly technical by abstracting from the society itself. In other words, given universal higher education, most people with particular occupations — manual or mental — can become involved in decision making both directly and through some electoral process. It may be said that not everyone can be involved at the centre. That is true, though people may take turns. Further, however, there is no reason why there should be no delegation to peripheral centres involved with less area or people. Nor does this necessarily involve a market. It does require two things: trust in the system and identification with the system as a whole so that intentions of centres are properly translated into practice by the peripheries. Secondly, it requires a scheme involving units which relate supply to demand and supplies information relating to the few scarce products which will exist. We then conclude by pointing out again that genuine participation is impossible without planning and *vice versa*.

Turning to the present, it is clear that Selucky assumes permanent scarcity, and indeed if it is presupposed, then the scheme of which we talk would inevitably become a market. Under scarcity there must either be rationing or the use of a market. The problem with rationing is that in a society where privilege exists, those who ration will allocate more to themselves. At the same time, however, where money remains in such a society, the rationing system is corrupted in the interests of those who have more money. This assumes, of course, that money remains the universal equivalent. In other words, where the market or privilege exists together with a rationing system, the rationing system is subordinated to the market or privilege. The effect in such a system may still be preferable to a straight market situation for the working-class since they do not get entirely priced out of the market. For the middle layers, however, such as the intellectuals, the situation may well be worse since they are either reduced to the level of the working-class or else have imposed on themselves a series of bureaucratic norms which, owing to their inflexibility and the struggle needed to obtain the perquisites, create hostility to the system. This peculiar dislike of rules is especially apparent among those who would like to act individually

and competitively, but who lack the means available to those who can operate the rules in their own interest. This gives at least a partial explanation for the agreement between the East European intellectuals and the Western intellectuals of the centre-right. Instead of attacking rationing and demanding the market, however, it would be more rational to attack the privileges of the ruling elite in such a situation.

Finally, I realise that I have provided no solution to the basic problems raised but that would require a project and perhaps other contributors will be able to go further in future issues. I have argued that the market is but the sphere of action of the law of value and that the law of value has an inherent tendency to become the law of surplus value. It may be contained for a time but not forever. In the second place, I have taken the view that an individual can only be free when he is able and willing to participate in the society at all levels of decision-making and this would involve central planning. Thirdly, the objections of many East European intellectuals are in fact not to central planning as conceived under socialism but to the nature of the authoritarian apparatus used in the name of central planning by a privileged elite.