

In reality growing economic stresses suggest that the period of stability draws to an end, showing clearly in America, Canada, Britain and France. Expansion of armaments, as suggested above, could further delay this. But again the question is posed—would this solve the contradictions of capitalism or deepen them? Does capitalism avert a crisis of “disparity between production and consumption” by pouring goods into the sea or, what is equally fruitless, into armaments? Or on the other hand does not this process increase national indebtedness, create inflation, lower living standards, and eventually produce a crisis resulting in unemployment? This

of course is conditional upon passive acceptance of a deterioration of its condition by the working class.

To my mind failure to recognise this would disarm us and make more easy the task of imposing such a solution upon us. The expansion of working class strength since the war, allied to the growing dependence of capitalism on working class co-operation as a result of the surging ahead of Soviet technology and power now opens up the possibilities of advance on a wide front by the British Labour movement.

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The Law of Value and Prices under Socialism

(Summary of a Soviet Discussion)

ABOUT twelve months ago there took place a discussion at the Institute of Economics in Moscow which is of considerable interest to the study of the economics of socialism as well as for understanding some of the new developments in theory and practice set in motion by the Twentieth Congress. This discussion included not only the research staff of the Institute, but also the staff of other scientific bodies, such as the research departments of the planning commission and the Ministry of Finance, and workers in the Central Statistical Department, Ministry of Trade, university teachers etc. The discussion was opened by the economist Y. A. Kronrod and summed up by L. M. Gatovsky, head of the Institute of Economics and editor in chief of its monthly journal.

The note which preceded the published summary of the discussion contained the following:

“As is well known, in this sphere there are many unsettled questions. A number of positions taken up in our literature until now and widely adopted need more precise working out, and some of them appropriate emendation. The practice of building communism imposes the necessity for a deeper scientific re-examination of questions of commodity-production under socialism and its peculiarities, of the action of the law of value and of utilising value as a lever in production and distribution. . . . Reform of price-policy has great economic significance, since directly linked with it is improvement in the forms of economic accounting, planning of

prime costs and the profitability of production, questions of calculating the effectiveness of capital investment and of introducing new techniques etc.”

Readers of Stalin's *Economic Problems of Socialism in the U.S.S.R.* will remember that he places the main emphasis on the commodity-relationship (or market-exchange relation) between the “two basic forms of socialist production in our country” (state-owned production and collective farms) as basis for the continuing operation of the law of value. True, he mentions also (p. 23) that “consumer goods, which are needed to compensate the labour power expended in the process of production, are produced and realised in our country as commodities coming under the operation of the law of value”; adding “it is precisely here that the law of value exercises its influence on production”. But the latter is given, apparently, a secondary role.

This emphasis has been one of the things to be questioned in the discussion. Instead, several of the speakers maintained (for example, Kronrod in his opening statement) that the necessity for commodity-production, and hence the influence of the law of value, depends not on the existence of two forms of socialist property, but on the character of labour under socialism. **Wages are paid, under socialism, according to the amount and kind of work performed; and this use of wages as an incentive involves an act of exchange**

of products against the wages paid to workers in compensation for their labour expended.

Another formulation in *Economic Problems of Socialism* to be questioned (by implication) concerned the proper frontiers of political economy. In this work Stalin had drawn a distinction between political economy and "the economic policy of the directing bodies". "Political economy", he said (p. 81), "investigates the laws of development of men's relations of production. Economic policy draws practical conclusions from this, gives them concrete shape. . . . To foist upon political economy problems of economic policy is to kill it as a science". Hitherto it has been customary to regard price-policy, apparently, as a specialist question for planners, and prices simply as instruments of planning policy (if you wanted more of a thing produced you raised its selling price; if you wanted some fuel or raw material economised on you raised its price to the buyers of it). The latter was referred to by one speaker as "subjectivism in planning and the rule of the arbitrary"; and as regards the former several speakers followed Academician Nemchinov in calling on economists to recognise their "obligation to create a theory of planned prices".

The main complaint was that the prices of means of production (machinery, fuel, raw materials etc.) were too low. Kronrod, the opener, claimed that means of production were priced *below* their value and means of consumption *above* their value; with the result that wasteful use of the former was encouraged (e.g. insufficient effort was made to secure fuel-economy; insufficient care of machinery to prevent over-use and deterioration; undue preference was shown for turning out products with a high raw material content etc.). The practice has been to price both categories of goods initially (i.e. at the level of the factory or industry) at *prime cost*, including the wage cost of labour expended, cost of raw materials etc. used up, and an allowance for depreciation of plant and equipment. The turnover tax has (with certain exceptions) only been levied on consumer goods; being used to bridge the gap between the cost price as just described (which is the price paid to the industrial enterprise) and the retail price in the shop at which the commodity is sold to the final consumers. This existing practice was defended by some speakers (for example, Turetsky and Maisenberg). Its critics asserted that the turnover tax (like profits, or at any rate that part of them drawn into the budget by profits tax) represented

that part of value that was "surplus product" used for society as a whole (e.g. as new investment, defence, maintenance of the non-productive workers in health, education, higher administration etc.). As such they maintained that it should be distributed evenly over all products. The failure to do so, it was said, derived from the false notion that means of production were not commodities under socialism, and accordingly their prices need not correspond to values.

A subordinate issue in the discussion (though quite an important one) was whether, if the price system were reformed, the correct principle would be to base individual prices on *values* (in Marx's sense) or on *prices of production*. Those supporting the latter principle (Bachurin and Malyshev in particular) pointed out that if individual prices were to be based on values, products involving a lot of capital or "stored-up labour" relative to direct or "living labour" in their production ("high organic composition of capital") would show a relatively low rate of profit, and *vice versa*. "Profitability would then be lower the higher the technical level of this or that branch [of industry]". So long as the productive forces of society (they argued) were still insufficient to supply every industry with all the equipment it needed and at the highest possible level of technique, there must be some criterion for deciding what were the most advantageous uses for the capital goods available. This criterion must be the level of profitability, and this (argued Malyshev) must be determined "not in relation to prime cost or to the wage bill, but in relation to the value of all the basic and turnover capital of an enterprise". This would "give the possibility of more fully calculating the effectiveness of capital investment"; otherwise a criterion for correctly economising on "stored-up labour" would be lacking. On the other side it was argued that "prices of production" were a law of capitalist competition, which had no place in a socialist economy.

One need hardly add that none of the participants in the discussion wanted to replace planning by the "automatic working" of market forces. They were treating price-policy as (1) an aid to planning—providing economic indices which planners could utilise in reaching decisions, (2) a lever to encourage industrial managements to take the most socially desirable decisions—decisions about methods of production, "assortments" of products turned out, quality etc.

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