

MARXISM AND FREEDOM

** From the Industrial Revolution to Automation

An Outline of a Book in Preparation

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INTRODUCTION

The timeliness of Marx's thinking is even in this: Not only are the problems he posed one hundred years ago bottled out today as concrete problems in the factory in this stage of automation, but also as fundamental questions in society on a world scale. "Can human power bring freedom to man out of totalitarianism and under threat of H-bomb rule?" is asked by everyone from the man on the street to the philosopher in his ivory tower.

What is little known of the development of Marx's thinking is the impact the Civil War in the United States had on the structure of his greatest theoretical work, CAPITAL. It was not a mere exchange of letters between President Lincoln and Marx as the general secretary of the First International. What Marx stated in the introduction to CAPITAL is well known: What just as the American Revolution sounded the tocsin for the French Revolution, so the Civil War sounded the tocsin for the Paris Commune. What is not known is that under the impact of the Civil War Marx scrapped entirely his first draft of CAPITAL and re-wrote it entirely. Not only did he thus develop the new structure for his work -- which we now have -- but his correspondence shows that he was collecting data from America which would do for Volume II and II what the English and American struggles for the shortening of the working day did for Volume I.

Marx's fundamental critique of political economy is the basis for his answer to the various tendencies in political economy. Unlike the representatives of these other tendencies, he saw that capitalist

crises arose, not accidentally and not because of a deficiency of effective demand, but out of the very vitals of the economic system -- the contradiction between the productive forces and the production relations. He held that the cause of labor under capitalism was the underlying cause of crises because:

1) It was not merely the product the laborer produced that was alienated from him. "In the alienation of the object of labor is only crystallized the alienation, the renunciation in the activity of labor itself.

2) The domination of the capitalist over the worker was in reality "the mastery of dead over living labor."

3) Hence, the ultimate development of capital accumulation in any given society "in the hands of one single capitalist or...one single corporation," or the stratification of production, would not abolish the capitalist antagonism but only drive it to the extreme.

However, the alienation of the laborer creates a striving for universality on his part. Under capitalist production man is degraded by the accumulation of the productive forces. At the same time, faced "with the intellectual potencies of the material process of production as the property of another and as a ruling power," man feels the need of appropriating the mass of accumulated labor for his own development. Marx saw that such an achievement of universality on the part of the laborer, the chief productive force in society, would become an economic necessity. The only solution to capitalist crises lay in the abolition of the alien mode of labor.

Until the development of the totalitarian State, this philosophical foundation of Marx was not fully understood even by Marxists. It is only today that it is possible fully to comprehend that Marx's analysis of alienated labor was not a nineteenth century humanitarian adjunct to his scientific theory. Far from being a vulgar materialist, Marx based his perspectives of the inevitable collapse of capitalism and its transformation into socialism on a realization that labor would seek universality and completeness in its actual material life as a producer.

Marx foresaw the present trend toward state capitalism, not because he was a prophet, but because of his dialectical method of tracing through all trends of economic development to their end. It is impossible to understand Marx's major theoretical work if one begins by thinking that the particular method, Hegelian dialectics, is an absurdity. The absurdity would be if the method were the proof. The proof can only be in practice, in the development of society itself.

In the present work, the author will deal not alone with state capitalism in Russia but with automation and the struggle for the mind of man in America.

PART I: THE RISE AND FALL OF CLASSICAL POLITICAL ECONOMY

Chapter I: Smith and Ricardo

1776 heralds the birth of the United States as a nation, and the birth of political economy as a science. The publication of Adam Smith's The Wealth of Nations, makes a clean break with mercantilism. A great advance in political economy is made when wealth is viewed as something not outside of man -- precious metals -- but as a product of man's activity. Labor is discovered to be the source of all values. Ricardo builds on this foundation stone of the labor theory of value, clearing from it the inconsistencies of Smith who at one time correctly defined the value of a commodity as the labor time incorporated in it, but at another time still referred to the value of a commodity as that amount of labor which it could command on the market.

The industrial revolution, which began in England in 1760, and which was preceded by the development of capitalism in a number of flourishing industries, made clear that the value of any commodity was not the result of exchange, but of production. At the same time it demonstrated that the exchange of products between countries did not impoverish the importing country. On the contrary, the policy of laissez-faire best permitted the development of the productive forces. Young capitalist industry helped the development of classical political economy or, more precisely, the latter reflected the evolution of the capitalist mode of production.

Smith and Ricardo were the political economists of the period of manufacture. The further development of capitalism as manufacture demanded an explanation of how the labor theory of value functioned in the period of advanced capitalist production. To work out the relationship between the labor theory of value and the phenomena of the market,

further distinctions had to be introduced into the theory of value. Since value, however, is not merely a quantitative, but a qualitative relationship, (relationship of men in production includes the relationship between capitalist and worker) this would have meant the elaboration of a theory of surplus value as a corollary to the labor theory of value. Because of its failure to draw this logical conclusion from its theory of value, classical political economy failed to explain:

1) how the unequal exchange between capital and labor in the process of production resulted from the equal exchange of money for labor power in the market; and

2) how capitals of given magnitudes, despite their different organic compositions, received uniform rates of profit.

Instead of analyzing these phenomena that seemed to contradict the labor theory of value, the classicists tried to "spirit away" the constant portion of capital.

To solve the first difficulty, it was necessary to make a distinction between paid and unpaid labor embodied in commodities, which is the great divide that separates Marx's theory of surplus value from the classical theory of value.

Holding instinctively to a theory of surplus value they did not explicitly develop, the classicists tried to bring an identity between the rate of surplus value (ratio of surplus value to variable capital) and the rate of profit (ratio of surplus value to total capital) by means of a "violent abstraction," that is, without showing how the rate of surplus value is transformed into the rate of profit. They recognized the decline in the rate of profit, but could not explain it and hence were at a loss to understand the most characteristic phenomenon of capitalism: crises.

In dealing with the rise and decline of classical political economy, this author will use not only her own researches, but the analysis of Marx in

his Theories of Surplus Value. Marx explains that classical political economy could go no further than it did because it considered the capitalist system as permanent, natural order. It therefore could reveal only its positive features as against the previous social orders. Before one could reveal not only the positive, but the negative aspects of capitalism, one had to be freed from this concept of capitalism as an eternal social order and recognize it as an historical stage in the development of the material conditions of production and the general evolution of humanity from the feudalism of the past to the socialism of the future. This, in turn, would have imparted a deeper understanding of the present capitalist system. This deeper understanding did not arise with the disintegration of political economy.

Chapter II: Disintegration of the Ricardian School

Classical political economy was bound by Say's Law of Markets, the concept that product exchanged for product and every supply created its own demand.

This is, however, contradicted by the appearance of crises. Every critical stage of capitalist production gives rise to a new school of economic thought. 1816, 1819, 1825 -- the years of recurring crises -- posed sharply the question of overproduction and under-consumption. Both from the right -- Malthus -- and from the left -- Sismondi -- economists questioned the complacency of the classical theory of accumulation -- production for production's sake, or that expanded production would solve its own problems.

Malthus's "theory of gluts" challenged this theory and proposed an alternate solution. Malthus maintained that crises arose out of insufficiency of demand for the products manufactured. To create effective demand for products, it was "absolutely necessary that a country with great powers of production should possess a body of unproductive consumers" -- the clergy.

landlords, etc.

It was soon revealed that this challenge to the classical theory of accumulation had a very practical reason for being:

"That labor is the only source of wealth is a doctrine no less dangerous than mistaken since it unfortunately gives a basis to those who assert that the property belongs to the working classes and that part which others receive is stolen from the first."

It would be wrong, however, not to see that this practical reason, based as it was on the antagonistic relationship between capital and labor, would have produced a similar challenge, although motivated differently, from the side of labor. Overwhelmed by the contradictions of capitalism, Sismondi, the fountainhead of all underconsumption theory, asked whether it wasn't possible to hold back the productive forces until production and consumption were brought into correspondence with one another.

Early in its history, political economy produced the two theories between which it has varied: 1) that production created its own market; and 2) that it was impossible for the worker to "buy back" the products he himself produced.

Marx's great contribution consisted of dialectically combining these. The dominant feature remained the fact that production did create its own market. But that did not negate the existence of underconsumption. It merely showed that within capitalist production there resides a disregard of the limits of consumption. The productive system functions in such a way that there is an ever greater preponderance of means of production over means of consumption. Hence the idea of raising consumption in no way answers the destiny of capital goods. The basic contradiction, maintained Marx, was not between production and consumption, but between productive forces and production relations. Sismondi, he said, correctly described the contradictions of

capitalism. However, he knew not how to resolve them because he did not understand them. The problem could not be tackled by changing the mal-distribution of income because, said Marx, "Relations of distribution only represent production relations sub alia speciebus."

The attempt to resolve the contradiction between the productive forces and the production relations, not in the sphere of production, but in the field of distribution, only led to the breaking-up of the labor theory of value.

The abandonment of the labor theory of value involved: 1) the development of a utility theory; and 2) the assertion of the productivity of capital. Senior, who tried to reconcile the labor theory of value of Ricardo with the utility theory of Say, ended up by substituting a cost of production, supply and demand theory for the classical theory of value. He completed his repudiation of the labor theory of value by introducing the idea of the productivity of capital under the term of "abstinence."

The relationship of this "vulgarization" of theory (Marx's term) to the developing class struggle is seen most clearly in Senior's opposition to the Factory Act of 1837. To combat the agitation for the Ten-hour Day, Senior elaborated the theory that purported to prove that a diminution of the twelve-hour day would wipe away all profit since the latter was created "in the last hour."

The 1848 revolutions had given the final blow to Ricardianism and created the foundation for Marxism.

Political economy had become a science when it moved from the field of trade -- mercantilism -- to the sphere of production -- classicism. It has, with the disintegration of the Ricardian school, retrogressed to the field of distribution. The labor theory of value is saved, not with the development of what Marx called "vulgar economy," but with the transformation of the science of political economy into the science of Marxism.

PART II: MARXISM

Chapter I: The Marxist Method: Dialectics and the New Humanism

Marxism is wrongly considered to be a "new political economy." In truth, it is a critique of the very foundations of political economy which were considered to be the bourgeois mode of thought corresponding to the bourgeois mode of production.

Marx was concerned with the freedom of humanity and the inevitable waste of human life which is "the absolute general law" of the constant growth of machinery and the constant degradation of the laborer.

Marx saw capitalism as an historical social order, the negation of a previous social order, feudal society. The modern society consists of two opposites, capital and labor. Marx set himself the task of laying bare the law or laws of this modern society. To discern this law, he applied dialectics, which he considered to be "the science of the general laws of motion both of the external world and of human thought," to the material development of capitalist society. "In the method of treatment," he wrote Engels, "the fact that by mere accident I have glanced through Hegel's Logic has been of great service to me...." And again: "Hegel's dialectic is the basic form of all dialectic, but only after it has been stripped of its mystical form and it is precisely this which distinguishes my method."

He accused the Young Hegelians of de-humanizing the Idea as if ideas were not the thoughts of human beings. Human freedom is the principle towards which he worked. His whole philosophy, which he called dialectical materialism, is a new humanism.

Marx took the bare laws of the dialectic: 1) the transformation of quantity into quality; 2) the interpenetration of opposites; and 3) the negation of the negation. With the help of these laws he tried to penetrate the mechanism of the capitalist mode of production and show the "new passions and forces" for a new social order.

Marx begins with the discovery of classical political economy that labor, or the activity of man, is the source of all values. He states, however, that it is insufficient to reduce wealth to labor in general. You must see the contradictory form in which labor appears in capitalist society: 1) abstract labor which creates use-values. Marx considers this his original contribution and the pivot upon which all political economy turns. The use-value and value of a commodity contain, in germ, all the contradictions of capitalist society precisely because this dual nature of commodities arises from the dual character of labor.

The growth of capital is seen to be not merely a quantitative but a qualitative relationship. Along with the concentration and centralization of capital, there is the socialization of labor. Along with the degradation of the worker to "an appendage of a machine," there is the discipline and order which result prepared by the very mechanism of production. The contradictions are seen to render the system apart and make it impossible for it to continue. The negation of the negation is seen to contain a new affirmation: the socialization of labor and the development, instead of alienation, of the activity of man as the basis of the new society. Marxism thus incorporates into the science of economics, the subjective element, the laborer, the gravedigger of bourgeois society.

Marx's application of the laws of the dialectic to economic development revolutionized the whole study of economics. This had dealt with economic categories, such as, wages, profits, money, as if they were things, instead of expressions of production relations. For Marx, all economic categories are social categories. The relations between persons in a commodity-producing society, he said, are of course attached to things and appear as things. But this appearance belies, instead of manifests, the underlying essence: the relationship between capital and labor. This relationship dominates the whole of capitalist society and hence the whole

of Capital, including The Theories of Surplus Value:

In Volume I, it appears as the relationship between constant and variable capital (c/v).

In Volume II, it appears as the relationship between the two main departments of social production: that of means of production, and means of consumption (mp/mc).

In Volume III, it appears as the relationship between surplus value and total capital (s/c+v).

In The Theories of Surplus Value, it is analyzed in the various theories as they appeared historically and reflected partial or distorted aspects of reality. The reality that Marx described, beginning with the struggle for the shortening of the working day, brought with it a new philosophy: "In place of the pompous catalogue of the 'inalienable rights of man,' comes the modest Magna Charta of a legally limited working-day which shall make clear 'when the time which the worker sells is ended and when his own begins.' Quantus Mutatur ab illo!"

From then on Marx's concept of freedom was always solidly based on "the fundamental prerequisite: The shortening of the working day."

Chapter II: The Structure of CAPITAL; The Impact of the American Civil War and the Paris Commune on Marx's Greatest Work

Marx had begun the study of political economy at the time of his break with the bourgeois world and with the Young Hegelians (1843). At the end of sixteen years, he published his Critique of Political Economy. It was no sooner out than he decided not to continue with that structure. The quietude that had descended upon the working class movement after the defeat of the 1848 revolutions put a limitation to Marx's own creativity. He returned to his theoretical studies, including the re-reading of Hegel's Science of Logic.

of which he wrote: "I have thrown over the whole doctrine of profit as it has existed up to now. In the method of treatment the fact that by mere accident I have again glanced through Hegel's Logic has been of great service to me." Nevertheless, the logic of a theoretical work and the logic of the actual class struggle were pulling at him in different directions. Once the revolutionary movement came to live again, he broke with the concept of theory as a matter of debate between theoreticians. Where his Critique of Political Economy, in 1859, was a mere application of dialectics to political economy, his CAPITAL, in 1867, created a new dialectic out of the struggles of living people.

Marx wrote enthusiastically to his friend and collaborator, Friedrich Engels, that a new era of European as well as American history had opened with John Brown's revolt. As he was to put it in the preface to his first edition of CAPITAL,

"As in the 18th century, the American war of independence sounded the tocsin for the European middle-class, so in the 19th century, the American civil war sounded it for the European working-class."

Under the impact of the Civil War in the United States, the mass of economic material, on which Marx had worked for nearly a quarter of a century, finally assumed shape in the form in which we know it. There has been no appreciation of that fact in America just as the European scholars have failed to see the direct impact of the Paris Commune on the French edition of CAPITAL (1873). The French edition was the first to contain the famous passage about the concentration of capital in any given society in the hands of "a single capitalist corporation," or "a single capitalist" which was later to be developed into the theory of state capitalism.

It was only in 1943, when the Russian Communists proposed a revision in the Marxian theory of value and a break with the dialectical structure of

CAPITAL, that it first became clear that Marx's most abstract concepts had come to life and that the Russian theoreticians could no longer associate with Marx and hold to their revisions. One or the other had to go.

It is in this live context that the present author will deal with the structure of CAPITAL in the decade of the first and French editions, 1867-1873.

Chapter III: CAPITAL, Volume I: The Law of Value and the Theory of Unemployment

Marx begins his study of capitalist wealth with an examination of the manner in which it appears: "an immense accumulation of commodities." That soon turns out to be mere appearance which dazzles the sight and invites to the social relations between men "the fantastic appearance of being relations between things."

To discern the real relation between men involved in the exchange of commodities, Marx introduces his first major contribution to the science of economics. He makes a distinction between labor power, the ability of man to labor, which is a commodity bought at value like all other commodities, and labor, the act of laboring itself, which is not a commodity, is not bought or sold, but is the source of all value. By means of this distinction between labor and labor power, Marx is able to show that the exchange of commodities between the capitalist and the worker is based on the fact that both money or wages and labor power are exchanged according to the socially necessary labor incorporated in each. The law of value has thus not been violated.

But, continues Marx, one of these commodities, money, is materialized labor, while the other, labor power, is inseparable from the living laborer. It is true that the laborer was paid at value, what it will take to produce him and reproduce his kind — clothing, food and shelter. But since the use-value of a commodity belongs to him who paid for it, the utilization of the capitalist makes of the commodity he bought his affair. In the factory, where

Labor power becomes labor, the laborer works more hours than it takes to produce his means of subsistence. The capitalist is thus able to extract from the laborer an unpaid surplus. Thus Marx's law of value is his law of surplus value. This we cannot see in the market, but only in the inner modes of production.

For analyzing that process of production, Marx establishes his economic categories:

1) Constant Capital: the means of production and the raw materials which yield to the commodities their value, in whole or in part, but which yield no more than their value since that has been established by the labor process from which they issued.

2) Variable Capital: the labor power in the actual process of production, does however, undergo a variation in magnitude, since it represents not only the value paid for it but an unpaid surplus. Heretofore, economic science had made a distinction only between fixed and circulating capital, distinctions which flow from the process of circulation, not from the process of production where the surplus value is created.

3) Surplus Value: is the congelation of the unpaid hours of labor.

Volume I is written on a very high level of abstraction. The economic laws of capitalism are viewed abstractly: their interaction with other laws as well as each separate economic trend is developed to its ultimate. At no time is sight lost of the "absolute general law" -- the reserve army of labor -- which dominates over all these laws. Thus for example, the law of centralization and concentration of capital reaches its ultimate limit in any given society by being in "the hands of one single capitalist or one single capitalist corporation." This, however, in way upsets the "absolute general law," which "establishes an accumulation of misery corresponding with the accumulation of capital. Accumulation of wealth at one pole, is, therefore, at the same time, the accumulation of misery, agony, of toil, ignorance, brutality,

mental degradation, to the opposite pole, i.e., on the side of the class that produces its own product in the form of capital." It is this absolute general law which dooms capitalism. Its law of motion is its law of collapse.

The failure to give "full employment" shakes the whole structure of capitalism. This law of population is characteristic of capitalism alone which must with ever greater increase of constant over variable capital, produce an army surplus to the needs of capital. There is only one way to overcome the incapacity of capitalism to reproduce its only value-creating substance -- labor power in the shape of the living, employed laborer -- and that is through the abrogation of the law of value.

Volume I, which Marx subtitled "The Capitalist Process of Production," can further be defined as the "Law of Value and the Theory of Unemployment." The solution to the ills of capitalism remains the same: "centralization of the means of production and socialization of labor at last reach a point where they become incompatible with their capitalist integument. This integument is burst asunder. The knell of capitalist private property sounds. The expropriators are expropriated."

Chapter IV -- Capital, Volume II

The Material Form of Capital and the Theory
of Expanded Reproduction

In the Archives of Marx there is to be found what Marx called "Chapter 6". Originally this was to have concluded Volume I of Capital and served as a transition to Volume II. This very important manuscript has been published by the Marx-Engels Institute in Moscow in 1933, in parallel pages in German and Russian. It is, however, completely unknown in the United States. The author intends to translate the questions dealt with there. It bears crucial importance for one of the central arguments around Volume II, relating to the question, "What if commodities do not sell at their equilibrium values."

Marx considered the process of circulation of capital as part of the reproduction of capital. To show how the law of value operates in a given capitalist society, Marx introduces here a new element: the material form of capital. He divides the entire social production into two major departments: Department I produces means of production; Department II produces means of consumption. The preponderance of constant over variable capital, with which Marx dealt in Volume I where he analyzed the value form of capital, manifests itself here as the preponderance of means of production over means of consumption. This preponderance also defines the "market". Marx's division of social production into these two departments, which cuts through the whole tangle of markets, is borne out by empiric data.

Joseph A. Schumpeter considered Karl Marx the most erudite economists who ever lived. He called his materialistic conception of history "the work of a genius." He felt that the forecasting of what we call monopoly was certainly far in advance of his time, etc.etc. Yet he considered the philosophical foundations just an adjunct to his economic theories. This will be disproved.

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Chapter V - Capital, Volume III

The Decline in the Rate of Profit
and the Theory of Crises

Volume III, which deals with the phenomena of capitalism in their concrete movements, is the one which is preferred by present-day economists. These tell us that it is only from this vantage point, where Marx deals with prices and profits, that one can understand Volume I, where he deals only in abstractions: value and surplus value. Marx's point was the exact opposite.

Marx maintained that once you understand the law of value and surplus value, the law of profit would present no difficulty; if you reversed the process, you could understand neither the one nor the other. It is true that Volume III is Marx's nearest approximation to the real world. Commodities are seen to exchange not at value, but at prices of production, that is, cost of production plus average rate of profit. Furthermore, surplus value does not remain an abstract mass of congealed unpaid labor, but assumes palpable shape in the form of profit, interest and rent -- all in the form of liquid capital. The merchant and his middleman's profits and the financier and his bogus transactions and credit manipulations all come to life. What, however, is lost sight of by those who think that this shows that in Volume III common sense has triumphed over the Hegelian mysticism of Volume I is that none of the laws enunciated in the latter are abrogated in the former. Quite the contrary. It is here precisely where both the inevitable crises of capitalism are dealt with, and it is here that Marx shows he will not separate science from philosophical outlook.

Marx was concerned with human freedom and the inevitable waste of human life that the economic system called capitalism entailed. He shows in Volume III that the realm of freedom cannot commence until after the realm of necessity has been overcome. The fundamental premise for that, he says, is the struggle for the shortening of the working day.

Surplus value remains a given magnitude, the congelation of so many unpaid hours of labor. This is the straight-jacket of capitalism, out of which it cannot get out by any market manipulations. All that competition can accomplish is to effect a general rate of profit, a sort of "capitalist communism" which assures all capitals of a given magnitude receiving corresponding shares of the total surplus value.

The transformation of the rate of surplus value into the rate of profit is merely the expression of the ratio of surplus value to total, instead of only to variable capital. Monopoly brings a modification into the operation of the average rate of profit, but that is not the dominant law of capitalist production.

The dominant law of capitalist production--and the heart of Volume III--is the law of the Falling Tendency of the Rate of Profit. Marx considered the theory of the declining rate of profit the "point apogee" of the whole of political economy, that which divides one theoretical system from another, just as he considered the dual nature of labor to be the pivot around which political economy turns. His point was that the "despotic plan of capital" arises from the hierarchical structure of capitalist production which is there to discipline labor. Planned, monopolized or competitive, capitalism must, in the falling tendency in the rate of profit, face, even in its own language, that it is a historic, passing system of production.

The constant revolutions in production and the constant expansion of constant capital necessitates, of course, an extension of the market. But the enlargement of the market in a capitalist nation has very precise limits. The consumption goods of a capitalist nation are limited by the luxuries of the capitalists and necessities of the workers when paid at value. The market for consumption goods is just sufficient to allow the capitalist to continue his search for greater values. It cannot be larger.

This is the supreme manifestation of Marx's simplifying assumption that the worker is paid at value. The innermost cause of crises, according to Marx, is that labor-power in the process of production and not in the market, creates a value greater than it itself is. The worker is a producer of over-production. It cannot be otherwise in a value-producing society where the means of consumption, being but a moment in the reproduction of labor-power, cannot be bigger than the needs of capital for labor-power. This is the fatal defect of capitalist production. On the one hand, the capitalist must increase his production and, on the other hand, it cannot be larger. This is what Marx calls "the general contradiction of capitalism" which it cannot overcome other than by the abrogation of the law of value.

The only "market" that enlarges beyond the limits of the working population paid at value is the capital market. But there too, the constant technological revolutions make the time necessary to reproduce a product tomorrow less than the time to produce it today. Hence there comes a time when all commodities, including labor-power, are "overpaid."

The crisis that follows is not caused by a shortage of "effective demand." On the contrary, it is the crisis that causes a shortage of "effective demand." The worker employed yesterday has become unemployed today. A crisis occurs not because there has been a scarcity of markets -- the market is largest just before the crisis -- but because, from the capitalist viewpoint, there is occurring an unsatisfactory distribution of "income" between recipients of wages and those of surplus-value or profits. The capitalist decreases his investments and the resulting stagnation of production appears as over-production. Of course, there is a contradiction between production and consumption. Of course there is the "inability to sell," but that "inability to sell" manifests itself as such because of the fundamental antecedent decline in the rate of profit which has nothing to do, whatever, with the inability to sell. The decline in the rate of profit, which proves

that capitalist production creates a barrier to its own further development, is what causes competition, not vice versa.

Today, when we see the fruition of the most abstract postulates of Marx -- the concentration of capital in the hands of one single capitalist or one single capitalist corporation -- we can see that the absolute limit of development of the law of centralisation and concentration of capital has in no way been able to solve the problem of crises and the declining rate of profit.

The given single capitalist society remains dominated by the law of value, the law of the world market, having its origin in technological revolutions, no matter where they originate. Atomic energy may be the secret discovery of the United States. But Russia must follow suit or perish. Automation and atomic energy will be dealt with in detail in the last part of the book.

PART III: THE GREAT DIVIDE IN MARXISM

World War I and the Collapse of the Second International

World War I, which shattered the longest period of peace in the modern era, brought about the collapse of the Second International, the organized Marxist movement of that time. The German Social Democracy, which had been the greatest party in the International and which had constituted the undisputed political leadership of the world Marxist movement, voted war credits to the Kaiser.

Just before the outbreak of the war, Karl Kautsky, the world theoretical leader, was busy preparing a "popular" edition of Capital. As the heir of Marx's collaborator, Engels, Kautsky had much unpublished material, the most important of which was Marx's early work on philosophy.

Lenin was unaware of these, but, following the collapse of the Second International, he felt that nothing less than a return to the philosophic foundations of Marxism in the Hegelian dialectical philosophy was required to find the reason for the collapse of official Marxism.

In the midst of the holocaust of World War I, Lenin worked in the quiet of the Zurich library annotating Hegel's Collected Works. He concluded:

"It is impossible fully to grasp Marx's Capital and especially its first chapter, if you have not studied through and understood the whole of Hegel's Logic. Consequently, none of the Marxists for the past one half century have understood Marx!!"

It is a profound study of Hegel's philosophic works and is the great divide in Marxism. To this day, Lenin's philosophic notes have never been published in English. The Russian totalitarians saw to that. This author has done the first English translation and proposes to include it in the appendix.

This author will also deal briefly with Lenin's theory of imperialism, Luxemburg's counter-theory of accumulation of capital and Bukharin's inadequate analysis of marginal utility. This will show that the actual economic development of society helped in the development of the Marxian concepts.

PART IV: THE PROBLEM OF OUR DAY: STATE CAPITALISM vs. FREEDOM

CHAPTER I: The New Deal and the New Political Economy

1929 marks the end of self-complacency in economic thought. Both the New Deal in the United States and the new political economy given theoretical dress by Keynes' The General Theory of Employment, Interest and Money, are products of the same underlying inner malady of capitalism: value production face to face with the decline in the rate of profit.

The protracted depression following the crash silenced the vulgarisers of political economy who had denied that there was a tendency for the rate of profit to decline. The new political economy of Keynes reestablished the thesis that there is such a tendency. However, it was inconceivable to this "new political economy," that the decline comes from the very vitals of the productive system. Marx, based as he was on the capital-labor relationship, saw the decay in capitalist production in the tendency of the rate of profit to decline despite the growth in its mass. The academic economists, on the other hand, see the decline in the rate not as a result of the organic composition of capital reflecting the relationship between dead to living labor, but as a result merely of "a deficiency in effective demand."

If Senior's "last hour" reappeared in the "marginal product" in the Austrian school, Malthus's theory of effective demand reappears in the Keynesian school. The resuscitation of Malthus's theory is, however, distinguished by the new concept of "the propensity to consume," which links effective demand not with the unproductive classes, but the productive masses. The very life of the capitalist system was made dependent upon its ability to give "full employment."

However, all attempts of achieving full employment -- lowering interest rates, pump priming, deficit financing -- resulted neither in full employment nor in "the euthanasia of the rentier." War and post-war economy, with almost full employment, has not lessened the crisis. Automation has raised altogether new problems.

The full significance of Marx's analysis of "the single capitalist society," however, is seen, not in the United States, but in Russia.

Chapter II: Russian State Capitalism and the
New Political Economy

Because the U.S.S.R. was born out of a proletarian revolution which overthrew tsarism and took Russia out of the vortex of the world market, it seemed to have abrogated the law of value. Abolition of private property and the institution of planned production seemed indeed to herald a new social order.

However, with the institution of the Five Year Plan in 1928, it was clear that new tendencies were developing in Russia both because of the pressure of the world market and the production relations within the country were changing. Nevertheless, a whole school of neo-Marxists (Lange and Co.) arose outside of Russia with theories as to how prices could be set not according to value, but according to optimum need and conservation of scarce resources.

Meanwhile, in Russia itself, production was regulated according to strict principles of cost accounting. At the same time a sharp class differentiation arose based upon a division of function between the workers, on the one hand and the managers of industry, millionaire Kolkhozniki, political leaders and the intelligentsia in general, on the other hand. This division gained juridical acknowledgment in the Constitution of 1936 which legalized the existence of the intelligentsia as a special "group" in Soviet society. Insurmountable difficulties were created by the contradiction between this

reality and economics which denied the existence of the law of value in a land where socialism was supposed to have been "irrevocably" established.

The Russian worker saw no difference between the conditions of labor in his factory and that described by Marx. He asked embarrassing questions and the study of political economy was stopped altogether.

In 1943 this contradiction was resolved by admitting that the law of value functioned in Russia, although it was still considered to be "a land of socialism." This new political economy, expounded in the leading theoretical journal, Red Znamena Marxism (Under the Banner of Marxism), is a revision of Marxist theory which has always held that the law of value was characteristic only of capitalist society. The author will show how this revision arose from the pressing need to reconcile actual economic development with current economic theory. The author's translation of this revision at the time it occurred was published in the American Economic Review (Sept. 1944) with her commentary. The debate lasted a year and her rejoinder was published in the September 1945 issue. Presently the revision has become the Russian bible.

Chapter III: A Single Capitalist Society:
Totalitarian Tyranny vs. Struggle for Freedom

The profound simplicity of Marx's method of analysis of capitalist society reveals that, given the domination of the law of value, which is a law of the world market, a given society would remain capitalist, even if one or all of several conditions prevailed: 1) the exchanges between subdivisions of the social department producing means of production were effected directly, that is, without going through the market; 2) the relationship between the department producing means of production and the one producing means of consumption were planned so that no ordinary commercial

crises arose; and 3) even if the law of centralization of capital would reach its extreme limit and capital was concentrated in the hands of "a single capitalist or...a single capitalist society."

Precisely because Marx analyzed a pure capitalist society which has never historically existed, his analysis holds true for every capitalist society, but only for capitalist society. What Marx was primarily concerned with was not the abstraction, "a single capitalist society." His concern was with the fact that this extreme development would in no way change the law of motion of this society. He made this a point of analysis because by it could be seen more clearly the limitations of any individual capitalist society. The only basic distinction from the traditional capitalist society would be in the method of appropriation, not in the method of laws of production. Thus, for example, the distribution of profit would be achieved not through the devious route of competition, as is done under private capitalism, but through direct state bookkeeping.

On the other hand, the basic laws of capitalist production could not be circumvented. These are: 1) the law of value expressing itself through a) the increase of constant over variable capital, or b) means of production over means of consumption; 2) the accumulation of capital on the one hand and accumulation of misery on the other hand as shown by a) not only through the lowering of the standards of living of the masses, but also b) through the creation of a reserve army of labor; and 3) the decline in the rate of profit which manifested itself in a) crises, and b) in imperialist expansion.

The dynamics of the four Five Year Plans reveal that this law of motion of capitalist economy is characteristic of the Russian economy both in general and in the particular manifestations: 1) The relationship of the means of production to the means of consumption parallels that of the advanced capitalist lands; 60 per cent to 40 percent. 2) Where the increase

production, as compared to Tsarist times, was, at the outbreak of World War II, some 600 per cent, the decline in the standard of living was lower than the level of Tsarist times, although the base of the ruling class was wider. 3) Unemployment, which has been officially abolished since 1930, clearly exists, although the unemployed army hides in the wide countryside, instead of revealing itself on bread lines. The 1939 census revealed that 67.2 per cent of the total population was still rural and that, of the 114.6 million rural dwellers, 78.6 millions were peasants. Russia was backward and its productivity was low, but was it so low as to require an agricultural population so overwhelming that to find a parallel for it in the United States we would have to go back to a period before the American Civil War? The post-war economy has heightened rather than resolved the conflict. The revolt in the slave labor camp at Vorkuta is a sign of the beginning of the end of the Russian totalitarian system.

Here again, the "abstract" principles of Marx help find the ~~truths~~ truths. Just as labor power being paid at value is the supreme essence of the law of value, so the reserve army of labor is the supreme essence of the law of preponderance of constant over variable capital. The greater expansion of production, it is true, means an absolute increase in the laboring army, but that in no wise changes the fact that the law governing the attraction and repulsion of labor as compared to machines. It is for this reason that Marx calls the unemployed army "the absolute general law" of capitalist production. Russia has not been able to avoid this. Not only that, but we have in Russia what Marx, in Volume III of Capital, posed as the very extreme condition to which the law of value would lead: payment by family unit. In order to obtain sufficient surplus value to increase production, part of the agricultural population in Russia receives payment as family units and in fact all earning statistics are listed "per peasant household." Population statistics "per family unit," moreover, help hide child labor.

4) The decline in the rate of profit brings about the deep crises, although the ordinary commercial crises are avoided through the statification of the economy. However, when the crises occur they are deeper than in traditional capitalist lands. This was the case in 1932, in 1937 and one is in process now. It is true that the Russian brand of crisis takes the form not merely of the liquidation of obsolete units of capital, but of the "liquidation" of its inefficient managers. But the law of production remains the same: the payment of the worker at the minimum and the extraction from him of the maximum of unpaid labor. This was given mathematical exactitude by the Chairman of the State Planning Commission when he enunciated the basis of the plan to be a 6.5 per cent rise in wages for every 12 per cent rise in labor productivity!

At the same time there is the attempt to try to avoid the consequences of this decline in the rate of profit through imperialist expansion. Whether that takes the form of direct incorporation of the conquered territories, as with Latvia, Lithuania and Estonia, or with creating for itself a sphere of influence as in Eastern Europe and Asia; whether it takes the form of demanding reparations payments, or putting pressure for the establishment of joint stock companies, as the Sov-Rom Trade Agreement specifies -- no basic distinctions exist between this method of Russian state capitalism and that of traditional capitalist imperialism.

Where Marx was concerned with the freedom of humanity, Russian Communism is concerned with paying the worker at minimum and extracting from him the maximum. They dub this "The Plan." Marx called it the Law of Value and Surplus Value, or "the fatal formula of wage slavery." The Russian masses see it precisely as that and have been in constant revolt.

Empiric data will go to prove the validity of Marx's abstract postulate of a "single capitalist society."

CONCLUSION

The fact that the first workers state could be transformed into the greatest tyranny on earth has posed the question: "Can man be free?"

Marx posed precisely that problem when he described the degradation of the worker to a cog in the machine. What Hegel called "the labor, patience and suffering of the negative," Marx called "labor, patience and struggles of the oppressed." It was precisely the degradation that brings about the striving for universality, for total freedom.

In 1915, Lenin realized for the first time that the answer lies not in economics but in a total approach. While he kept his notebooks private, he tried to apply it in his many speeches and in his warnings about the beginning of bureaucratization in the early workers state. His prediction, at the last congress he was to attend (1922), that Russia was moving not toward socialism but toward state capitalism -- even as his last Will -- went unheeded by his colleagues. Whatever Trotsky did to fight Stalin, he did within the confines of the Plan and hence opened no new concrete vistas for the modern working class.

The void theoretically did not, however, mean that history stood still. Quite the contrary. Marx's most abstract theories came to life. But not his vision of the future society. Peculiarly, it was in America, where, theoretically, Marx is nearly unknown, that the American workers confronted by automation, began to question not only the fruits of labor but the mode of labor itself. It is in this country, where it is not a question of theory, but a question of solving the real problems facing the world in the wake of World War II -- symbolized by the H-bomb -- that the American people have shown the greatest and most urgent and concrete concern with freedom. What they will decide, they will decide. But the theoreticians cannot evade their task. They must clean the cobwebs out of empiric living from hand to mouth.

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APPENDIX

Translations of Unpublished Works of Marx and Lenin

I: The Direct Results of the Process of Production (abbreviated)

This was the part which Marx had originally intended as the conclusion to Volume I. It was found among his archives and published in 1933 by the Marx-Engels Institute in Moscow.

The abbreviated form in which I mean to translate it is not, however, a mere summary. Marx has a right to be heard in his own words and not have himself interpreted before he has been heard. However, due to space limitations, the translation will be of pertinent sections only. Of the one hundred pages, twenty will be translated.

II: The Theoretical Mistakes of the Narodnik Economists, by V.I. Lenin

Lenin's attack on Russian underconsumptionists, the finest Marxist exposition of Volume II of Capital, included as an appendix to the German editions of Capital.

Mentioned by Sweezy as of paramount importance to theoretical thought, but not translated by him.

This is the first chapter of Lenin's monumental work, The Development of Capitalism in Russia. The translator of this work into English, however, left out its opening theoretical chapter. (Approximately 15 pages).

III. Lenin's Philosophical Notebooks

Written in 1915 and first published in Russian in 1929, it was republished in 1947. This represents the philosophical divide in Marxism.

Since a great deal of this is quotations from Hegel, it may be possible merely to give Lenin's comments and to indicate the Hegelian passages near which these notes were made. In that case it could be cut to 45 pages.
