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28 MERCIERS

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CAPITAL and revisionism

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I N T R O D U C T I O N

The writing of CAPITAL was a major part of the revolutionary activity of Karl Marx. It is a scientific work. But it is a scientific work which could only have been produced by a revolutionary who based himself on the class interest of the

working class.

CAPITAL is one of the chief analytical weapons of the proletarian revolution. Whether a working class is struggling to develop the rudiments of a political movement within the capitalist system, or it has overthrown the capitalists politically and is struggling to develop a socialist society, an understanding of CAPITAL is essential to it.

CAPITAL is a weapon of the working class in the historical struggle between capital and labour. It enables the working class to detect the essence of capitalism beneath whatever disguises it assumes in its appearance. At a time when capitalism is wearing a greater variety of disguises than ever before in an attempt to prolong its historical existence, a clear understanding of the essence of capitalism is more necessary than ever to the revolutionary working class movement.

In the Communist movement in Western Europe the "interpreting" of CAPITAL has, over the past twenty years or so, become increasingly a speciality of intellectuals in the movement. It is now clear that these intellectuals on the whole remained bourgeois intellectuals. And because they remained bourgeois intellectuals the "interpreting" of CAPITAL was an intellectual game which they played among themselves.

Whatever their intentions may have been in earlier days, they functioned as the vanguard of revisionism in the Communist movement. And developments over the past ten years leave very little doubt about even their intentions. Like certain Russian intellectuals described by Lenin, they "tried to be Marxists". But they tried without demolishing their bourgeois egos. And "now they have all safely turned...into plain bourgeois economists". (Collected Works, Vol. 3, P 45)

In their position as interpreters of CAPITAL, these bourgeois intellectuals, by the mystification which is characteristic of the intellectual bourgeois in the present era, actually brought about a divorce between the working class movement and CAPITAL. One of the most urgent tasks of the anti-revisionist movement is to disperse these revisionist mysteries and to make CAPITAL an integral of the working class movement.

We are attempting in this pamphlet to give a historical account of the various "interpretations" and "corrections" of CAPITAL that have arisen in Europe since the death of Engels. There is a lesson to be learned from this history. Engels said that some people took more trouble to misunderstand

ROSA LUXEMBURG

Rosa Luxemburg's "Accumulation of Capital", which was first published in 1910, was issued in an English translation in the early 1950s with an introduction by the bourgeois (Keynesian) economist, Professor Joan Robinson, who has published periodical attacks on Marxist theory of value since the 1930s. She writes: "Rosa Luxemburg, neglected by Marxist and academic economists alike, offers a theory of the development of capitalism which is of the greatest interest". (P.13)

Rosa Luxemburg's "Accumulation of Capital" disagrees fundamentally with Marx's "Capital". Marx analysed capitalism as a functioning system. He showed that it functions in this way: A dispossessed working class is forced to sell its labour power for wages to the capitalist owners of the means of production and to create more value than it receives back in wages. The surplus value created by the workers is the profit of the capitalist class. A part of this profit is consumed by the capitalists, but another part is invested by them and the process of labour exploitation is repeated on an extended scale.

Certain contradictions are inherent in the capitalist system and bring it regularly into periods of severe crisis. The system functions by continuously overcoming its crises and laying the basis for new crises. The system is driven by its contradictions into continuous expansion. But this expansion, far from freeing the system from its contradictions, drives it ever deeper into contradiction.

Rosa Luxemburg held that this view was essentially false. She held that the surplus value resulting from labour exploitation cannot be invested within the system. She showed that, when the wages of the workers and the personal expenditure of the capitalists have been spent, a surplus still exists. From this she inferred that no effective demand for the surplus exists within the capitalist system, and that therefore the surplus cannot be invested within the system:

"Seeing that we cannot discover within capitalist society any buyers whatever for the commodities in which the accu-

culated surplus value is embodied, only one thing is left: foreign trade" (P.135)

"...the surplus product of Departments 1 and 2 (i.e. of production and consumption goods) must be bought —by whom? On the above showing, there will have to be an effective demand outside 1 and 2, merely in order to realise the surplus value of the two departments, just so that surplus product can be turned into cash. Even then, we should only have got to the stage where the surplus value has become money. If this realised surplus-value is further to be employed in the process of enlarging reproduction, in accumulation, an even larger demand must be expected for the future, a demand which is again to come from outside the two departments". (P.137)

"Realisation of the surplus value outside the only two existing classes of capitalist society appears as indispensable as it looks impossible. The accumulation of capital has been caught in a vicious circle. At any rate the second volume of Capital offers no way out". (P.165)

"There is no doubt...that Marx wanted to demonstrate the process of accumulation...in a society consisting exclusively of workers and capitalists, under the universal and exclusive domination of the capitalist mode of production. On this assumption, however, his diagram does not permit of any other interpretation than that of production for production's sake." (P.333)

"It cannot be discovered from the assumptions of Marx's diagram for whose sake production is progressively expanded ... the growing consumption of the capitalists can certainly not be regarded as the ultimate purpose of accumulation: on the contrary, there is no accumulation inasmuch as this consumption takes place and increases. Rather, the question is: if, and insofar as, the capitalists do not consume their products but "practise abstinence", i.e., accumulate, for whose sake do they produce?" (I. 335)

"The diagram (Marx's) assumes, say, the following course of events: the coal industry is expanded in order to expand the iron industry in order to expand the machine industry in order to expand the production of consumer goods. This last, in turn, is expanded to maintain both its own workers and the growing army of coal, iron and machine operatives. And so on ad infinitum. We are running in circles quite in accordance with the theory of Tugan Baranovski" (P.330)

According to Marx: "These capitalists are fanatical supporters of an expansion of production for production's sake. They see to it that ever more machines are built for the sake of building-with their help- ever more new machines. Yet the upshot of all this is not accumulation of capital but an increasing production of producer goods to no purpose whatever. Indeed one must be as reckless as Tugan Baronovski, and rejoice much in paradoxical statements, to assume that this untiring merry-go-round in thin air could be a faithful reflection in theory of capitalist reality, a true deduction from Marx's doctrine". (P. 335)

Rosa Luxemburg was thus of the opinion that in Volume Two of Capital Marx abandoned Marxism, ceased to analyse reality, and entered a fantasy world. She then proceeded to "correct" Marx.

"The workers and capitalists themselves cannot possibly realise that part of the surplus value which is to be capitalised. Therefore the realisation of surplus value for the purposes of accumulation is an impossible task for a society which consists solely of workers and capitalists. Strangely enough, all theorists who analysed the problem of accumulation, from Ricardo and Sismondi to Marx, started with the very assumption which makes this problem insoluble". (P351)

"Realisation of surplus value...requires as its prime condition...that there should be strata of buyers outside capitalist society. Buyers, it should be noted, not consumers, since the material form of surplus value is quite irrelevant to its realisation. The decisive fact is that surplus value cannot be realised by sale either to workers or to capitalists, but only if it is sold to such social organisations or strata whose own mode of production is not capitalistic". (P.352)

"Since the accumulation of capital becomes impossible in all points without non-capitalist surroundings, we cannot gain a true picture of it by assuming the exclusive and absolute domination of the capitalist mode of production". (P.365)

"Whatever the theoretical aspects, the accumulation of capital, as a historical process, depends in every respect upon non-capitalist social strata and forms of social organisation". And "it proceeds by assimilating the very conditions which alone ensure its own existence". (P.368)

"Capital feeds on the ruins of (non-capitalist) organisat-

ions, and although this non-capitalist milieu is indispensable for accumulation, the latter proceeds at the cost of this medium nevertheless, by eating it up. Historically, the accumulation of capital is a kind of metabolism between capitalist economy and those pre-capitalist methods of production without which it cannot go on and which, in this light, it corrodes and assimilates". (P.416)

"Just as soon as reality begins to correspond to Marx's diagram of enlarged reproduction, the end of accumulation is in sight, it has reached its limits, and capitalist production is in extremis... Marx's diagram of accumulation is only the theoretical reflection of the precise moment when the domination has reached its limits and is no less a fiction than the diagram of simple reproduction." (417/8)

"Capitalism...is the first mode of economy which is unable to exist by itself, which needs other economic systems as a medium and soil". (P.467)

Capitalism, in Rosa Luxemburg's view, could only exist so long as it was surrounded by feudal economies to which it could export its surpluses. But in order to turn the feudal economies into markets for capitalist surpluses it had to break up their feudal subsistence structure and change them into commodity economies. But when they became commodity (market) economies they were no longer outside the capitalist system (or could only remain outside it for a very short period), and therefore could no longer function as non-capitalist markets for capitalist surpluses. And when the main subsistence economies had been disrupted and brought into the capitalist market, capitalism would no longer be able to accumulate and would come to a standstill. When this standstill was reached there would be "no other way out than the application of socialist principles". (467)

When the book was published, Lenin wrote, in a letter to Kamenev: "I have read Rosa's new book, Die Akkumulation des Kapitals. What a muddle she has got into. She has distorted Marx. I am very glad that Pannekoek and Eckstein and O. Bauer have with one accord condemned her and said against her what I said what I said in 1899 against the Narodniks. I intend to write about Rosa in No. 4 of Prosveshcheniye". (1913 C.W. Vol.35 P 94) In March and April 1913 Lenin worked on an article called "Rosa Luxemburg's Unsuccessful Addition to Marxist Theory", but it was never published.

Lenin, however, had dealt with the substance of Rosa's criti-

cism very thoroughly in the first chapter of his "Development of Capitalism in Russia", published in 1899. He showed, as did Marx in Volume 3 of Capital, that the problem of realising surplus value cannot be solved by talk about foreign trade. "Clearly, foreign trade must here be excluded, for dragging it in does not advance the solution of the problem one iota, but merely retracts it by extending the problem from one country to several". (C.W. Vol 3. P46)

Rosa was unable to conceive of capitalism as a system which had no purpose to it beyond the accumulation of capital, and which existed through its fundamental contradictions. Her conclusion was essentially that because of the contradictions in its conception it cannot exist as a reality.

Lenin wrote: "The development of production...chiefly on account of means of production seems paradoxical and undoubtedly constitutes a contradiction. It is real 'production as an end in itself' --the expansion of production without a corresponding expansion of consumption. But it is a contradiction not of doctrine but of actual life: it is the sort of contradiction that corresponds to the very nature of capitalism and to the other contradictions of this system of social economy. It is this expansion of production without a corresponding expansion of consumption that corresponds to the historical mission of capitalism".

(P 56.)

"...there is nothing more absurd than to conclude from the contradictions of capitalism that the latter is impossible ...to do that is to take refuge from unpleasant, but undoubted realities in the transcendental heights of romantic dreams... The contradictions of capitalism testify to its transient character, and make clear the conditions and causes of its collapse and transformation into a higher form: but they by no means rule out the possibility of capitalism." (P 58)

Because she imagined that the existence of a capitalist system was impossible, because she saw capitalism merely as the process of disintegration of the feudal system, and because she imagined that when the feudal system had been destroyed capitalism would come to an end of its own accord and socialism would become inevitable, Rosa Luxemburg saw no need to build a disciplined Marxist party guided by the highest theoretical understanding. And she opposed Lenin's historical work of building the Bolshevik Party, which, she claimed, brought bureaucratic deformation into the working class movement.

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But Lenin, having a Marxist understanding of the nature of capitalism, knew that the system would not come to an end, and that the socialist revolution would not be a spontaneous process. The capitalist system would end only when the masses of workers, led by their conscious and disciplined vanguard, acted in a period of capitalist crisis to put an end to it. If the workers did not consciously act to put an end to the system, the system would find a way to surmount its crisis (and of course prepare the way for another crisis).

Socialist revolution is inevitable. But it is not inevitable as a spontaneous, objective process. It is inevitable only because the contradictions of capitalism engender in the working class the determination to put an end to the capitalist system.

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Rosa Luxemburg was murdered as a proletarian revolutionary within months of the coming to power (as an agent of German capitalism) of the Social Democratic Party, of which she had been a member for 20 years. She revised Marxism in the mistaken belief that she was increasing its revolutionary content. But since her death opportunists have been exploiting her theoretical mistakes to sow confusion in the working class movement.

When "The Accumulation of Capital" was published in English 15 years ago, Joan Robinson, in her Introduction, had to admit that the substance of the book was false. Capitalism can and does exist. The bourgeoisie published the book because it is in their interest to give publicity to any and every critic of Marx. And when the critic is such a sincere revolutionary as Rosa Luxemburg, this creates a possibility which it is very clearly in their interest to exploit.

A biography of Rosa Luxemburg by the British trotskyist Tony Cliff was published in 1959. Cliff dealt at length with the false theory of accumulation, finding many "good points" in it. He concluded that one "may agree or disagree" with it. Its chief use to Cliff was that it helped him to disguise or justify his own distortions and "corrections" of Marxism (including his theory that imperialism has been superseded by a "permanent arms economy". Cliff equates the destruction of surpluses with their productive investment. It is therefore convenient for him to give circulation to Rosa's view that the problem for capitalism was to get rid of surplus value without investing it productively. In Cliff's theory, surplus value is now wasted in the production of arms which are obsolete as

soon as they are produced, and this makes imperialist plunder unnecessary. Wars now occur to justify arms expenditure. Guns are the cause of war. They are no longer made for the purpose of waging war to protect imperialist plunder. This is Cliff's fantasy.)

The publication of "The Accumulation" was hailed in 1952 by Maurice Dobb, a pioneer of revisionism. He expressed his "wholehearted" agreement with Joan Robinson's conclusion that "this book shows more prescience than any orthodox contemporary could claim" (On Economic Theory & Socialism. P.272). The most notable "orthodox contemporary" was of course Lenin.

Lenin's rigorous orthodox Marxism offers no comfort to opportunists: Lenin was never a "critic of Marx". The modern revisionists, to justify their own "criticism of Marx" (which never rises above petty quibbling) publicise Rosa Luxemburg's criticisms ("Did an eagle ever support a more miserable crowd of fleas than are now gathered under Rosa Luxemburg's wing!"). And to justify the abandonment of Lenin's Marxist analysis of imperialism, they talk of the supposedly greater "prescience" of Rosa Luxemburg's idealist analysis.

Opportunists publicise Rosa's criticism of Capital chiefly for the purpose of creating an atmosphere of doubt about Capital in which they can propose their own particular corrections of "Marx's errors".

MARKET SOCIALISM

"The wealth of those nations in which the capitalist mode of production prevails, presents itself as 'an immense accumulation of commodities', its unit being a single commodity."

"The market is a category of commodity economy, which in the course of its development is transformed into capitalist economy, and under the latter gains complete sway and universal prevalence".

These are the opening sentences of Capital and of Lenin's "Development of Capitalism in Russia". It has been one of the

fundamental views of Marxism since its inception that the commodity is the "cell of capitalism" (Lenin), that capitalism is the highest development of commodity production, and that socialism must put an end to commodity production (production for sale and profit), and replace it with production for use, production to satisfy social needs. But that was all a mistake, the "creative developers" of revisionism now declare. It was a "Stalin's error" that gave rise to the notion that the period of socialism (the transitional period between capitalism and Communism) is a period in which production for profit, material incentives, the operation of the market and "commodity-money relations" would be progressively restricted and replaced by conscious production for use.

They disagree that "the building of socialism and communism is a process of abolishing commodity-money relations". On the contrary, they say, we must "use...commodity-money relations in the interests of socialism, particularly such economic instruments as price, profit, trade, credit and finances". (Soviet Economic Reform. P. 9-10) Rent, interest and profit must not be abolished. They must be "transformed" into socialist differential rent, socialist interest and socialist profit.

Stalin, in his last work (Economic Problems of Socialism in the USSR. 1952) wrote that "Capitalist production is the highest form of commodity production". It appears that the geniuses who have been so busy correcting "Stalin's errors" since his death, decided in 1952 that discretion was the better part of valour. Not even the teeniest squeak of "criticism" was uttered by them. However, by 1958 they were beginning to crawl out from under their stones. Mr. Ostrovityanov, one of the most daring of them, informed the world that, though "the idea gained wide currency in recent years that commodity circulation is allegedly incompatible with the prospects of going over from socialism to communism", the truth is that "the dialectics of the socialist economy consists precisely in the fact that we shall arrive at the withering away of commodity production and money circulation in the highest phase of communism as a result of the utmost development of commodity-money relations in the socialist stage of development." (Marxism Today. Aug. 1958)

Every bourgeois intellectual hankers to contribute his piece to the creation of the mysteries of the universe. Maurice Dobb made his contribution in 1961. He explained that "As the productive power of a country grows and the supply of consumer goods becomes more abundant, there is a sense in which

the use-value aspect of these goods becomes more important as compared with their aspect as exchange values". (Marxism Today. Nov. 1961). Which is to say that when the amount of consumer commodities flowing through the market reaches a certain level these goods begin to lose their quality of being commodities (their exchange value).

From this point of view capitalism is not longer seen as the highest development of commodity production; it is seen as a system which hinders the development of commodity production. Socialism is seen as a system which frees commodity production from the shackles of capitalism. Socialism is therefore the highest development of commodity production. And if that is the case Capital must be regarded as a gigantic mistake, and Marx, not as the founder of scientific socialism, but as another Utopian socialist.

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In an attempt to justify the extension of material incentives, the profit motive, and the introduction of the market as a regulator of production, fifty years after the October Revolution, and thirty years after the Soviet Union had leaped into the forefront of the industrial powers of the world on a basis of socialism, the revisionists exploit a real problem. The problem which they set out is a real problem, but the answer which they give to it is a bourgeois answer.

One of the notorious examples which they give of the evils of the "Stalinist" approach is as follows: Before the introduction of the profit motive quotas were given to industries in terms of bulk production. In the furniture industry, for example, the quota was given in terms of weight. So the factory produced the heaviest furniture possible so as to fulfil its quotas more easily. This led to the production of heavy, shoddy furniture. But the introduction of the profit motive, and the freeing of the market, gives the consumer a say in what is being produced, and leads to the production of better goods.

Now there is a problem here. But it is a political problem. Why, without the incentive of profit, are shoddy goods produced? Is it not because of the prevalence of bourgeois ideology, because the masses are held down, and because the managers are bourgeois in outlook and act out of narrow self-interest? The socialist solution to the problem is to raise the level of proletarian consciousness and bring the masses into decision making and accounting. The revisionist solution

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is to introduce capitalist methods.

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In Volume 1 of Capital Marx wrote that under socialism the society would reckon up its needs and allocate its labour and resources to fulfil those needs. It would do this directly, and not through the medium of the commodity-market system:

"The total product of our community is a social product. One portion serves as fresh means of production and remains social. But another portion is consumed by the members as means of subsistence. The mode of distribution will vary with the productive organisation of the community, and the degree of historical development attained by the producers". This view was adhered to by Lenin, and was emphatically re-asserted by Stalin in "Economic Problems".

The Marxist view was criticised in 1920 by Ludwig von Mises, a bourgeois economist, in "Economic Calculation In The Socialist Commonwealth". Von Mises held that economic calculation is impossible without the profit system, and therefore would be impossible under socialism. Without the profit system, he wrote, "the human mind cannot orientate itself properly among the bewildering mass of intermediate products and potentialities of production". For that reason "Socialism is the abolition of rational economy". In a later work (Bureaucracy. 1945) von Mises wrote that where the profit motive does not rule bureaucracy will be rampant. Von Mises wrote this from a frankly bourgeois point of view, and it is of course the business of bourgeois asses to bray about the impossibility of socialism.

But, it appears, von Mises, even though he was an open enemy of socialism, made a great contribution to scientific socialism!

Oskar Lange, a pioneer of revisionism in political economy (and later Deputy Chairman of the State Council of the Polish People's Republic) wrote in 1936 that "Socialists have certainly good reason to be grateful to Professor Mises". "It was chiefly due to Professor Mises challenge that many socialists became aware of the very existence of such a problem" (of economic calculation under socialism). Furthermore: "Prof. Mises certainly merited the gratitude of the student of the problem by exposing the inadequacy of this similiticist solution" i.e. Marx's view referred to above. (On the Economic Theory of Socialism.)

In 1958 Lange abandoned completely the Marxist-Leninist view of the relation of politics to economics in the proletarian revolution. Political "interference" in economics, he said, is necessary only in the early stages of socialism: "As the economic laws of the new socialist society more and more become operative the role of the extra-economic force of the state is gradually replaced by the operation of economic laws, i.e. by the establishment of proper economic incentives...." So after the initial change in state power (which will take place in a peaceful, Kautskyist way) the development of socialism will take place through the development of spontaneous economic forces: the "economic laws" of socialism, which work best when freed from "extra-economic" interference, i.e. when divorced from politics.

Mises view that only the operation of the profit motive can counter-act bureaucracy has also been adopted by the revisionists.

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If capitalist production is production for sale on the market and for profit, and socialist production is conscious production for use by the society under proletarian dictatorship, then the operation of spontaneous economic forces must be regarded as the operation of bourgeois forces. The period of socialism is a period in which the workers, having broken the state power of the exploiters and established a proletarian dictatorship, struggle to develop proletarian consciousness and to subordinate the spontaneous economic forces of bourgeois society to the conscious control of the masses.

The notion that Communism will come through the extension of commodity production in the period of socialism, that commodities will cease to be commodities when they are produced in sufficient quantities, and that the profit motive will die away as a consequence of the glorification of the profit motive in the period of socialism, has nothing in common with Marxism-Leninism, with reality. It is a notion that is put forward by bourgeois elements in the working class movement for the purpose of deceiving, and holding back the consciousness of, the masses.

The problem of how to go forward without the profit motive has only one answer. The answer is to raise the consciousness and release the initiative of the masses. Lenin said: "we must bring statistics to the masses". Professor Mises sneered at this idea in 1920. His "Marxist" followers sneer at it today. But it is the only socialist answer. By overthrowing

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bourgeois ideology, by developing proletarian ideology, and by bringing statistics to the masses: that is how the profit motive will be eliminated, and that is how conscious production for use will be developed and extended. The revolutionary forces in China led by Mao Tse-tung are demonstrating in practice that the conclusions which Marx reached in Capital are anything but "inadequate" and "simplicist".

The revisionists deny that Capital has any relevance to the building of socialism. Adopting the jargon of bourgeois economics, they say that Capital is "macroeconomic" theory, or political economy, while only "microeconomic" theory, or theory concerning "the most efficient use of resources", is relevant to socialism. Such things as politics, class struggle and class consciousness have no place in "microeconomics".

It is precisely the exceptional relevance of Capital to the period of socialism that makes the revisionists anxious to relegate it to the museum of antiquities. Capital 100 years after its first publication, retains its power to give guidance to the revolution and to expose charlatans.

(THE SUBJECT MATTER OF THIS CHAPTER IS DEALT WITH IN MORE DETAIL IN THE I.C.O. PAMPHLET, "ON STALIN'S 'ECONOMIC PROBLEMS'", PART ONE. PART TWO, "MARXISM AND MARKET SOCIALISM" IS DUE FOR PUBLICATION IN JANUARY 1968.)

THE "TRANSFORMATION PROBLEM"

"How can I adopt a creed which, preferring the mud to the fish, exalts the boorish proletariat above the bourgeois and the intelligentsia who, with whatever faults, are the quality in life and surely carry the seeds of all human advancement?"

"When it comes to the class struggle as such, my local and personal patriotisms, like those of everyone else, except certain unpleasant zealous ones, are attached to my own surroundings. I can be influenced by what seems to me to be Justice and good sense; but the class war will find me on the side of the educated bourgeoisie." (Lord Keynes on Marxism and the class struggle in Essays in Persuasion. P 324)

Keynes is the pride of bourgeois economic theory in the 20th century. It is clear from the above that Keynes was an economist on behalf of his class. The object of his economic theorising was to safeguard the conditions of existence of his class: to provide his class with sufficient understanding of capitalism to help it to find a way out of the chronic slump of the 1930s. For all that he was a prime product of the ultra sophisticated "art for art's sake" atmosphere of Bloomsbury, his motivation was class hatred: it was hatred and fear of the "boorish proletariat".

Keynes was a bourgeois economic theorist who worked in the service of his class and who was highly conscious of his class interests. The economic theorists of the working class movement were chiefly bourgeois intellectuals who went over to the working class movement -- or pretended to. If these intellectuals had been motivated by a fraction of the class hatred growing out of the working class interest that Keynes displayed on the basis of bourgeois interest they would have served the working class well. But anyone who has ever seen, or heard, or read Morris Dobb of Britain, for example, or Paul Sweezy of the U.S.A., can see that their souls were never touched by class hatred. They are unsullied inhabitants of the academic ivory tower.

Dobb, Sweezy and company were intelligent men. There is no

doubt about that. They had at their disposal the most scientific and revolutionary social theory in existence (in fact the only one), while Keynes had to make do with metaphysical, obscurantist bourgeois theory which is incapable of investigating the real nature of capitalist production and circulation. But today Dobb and Sweezy are only left-wing Keynesians. It is a striking fact that they had no use for Marxist theory. They were not involved in the class struggle as Keynes was, they were not motivated by class hatred as Keynes was, their socialism was abstract, academic, and at best humanitarian, so they had no use for Marxist theory. For twenty years they dabbled with socialist ideas and played intellectual games with one another. They contributed nothing to the development of working class consciousness. Marxist theory became a blight in their hands. And they have ended up on the coat tails of bourgeois economic theory.

One of the games with which they have entertained themselves over the past 25 years they call the "transformation problem! Sometimes, with accidental honesty, they refer to it as the "so-called transformation problem". It is worth glancing at this game in order to reveal the horrible example of what happens to "Marxists" who are untouched by class hatred.

The problem derives from "errors" in Marx's theory of prices. Here is Marx's "erroneous" theory:

In Volume 1 of Capital Marx showed that the measure of the value of different commodities is their labour content (that is, the amount of socially necessary labour contained in them). On an average commodities of equal value exchange for one another on the capitalist market.

In Vol. 3 he dealt with the phenomenon of different organic compositions of capital. The organic composition is the ratio of constant capital to variable capital or wages. In some lines of production the capitalist must spend much more in machinery etc. per worker than in others. But it is only variable capital, or money spent on buying labour-power, that gives rise to a value greater than itself. Labour-power is the sole source of surplus value and profit. This raises the following problem:

Assume that in one line of production, when a capitalist invests £100, £50 of it has to be invested in constant capital and the other £50 in wages. Assuming the rate of exploitation to be 100% (that is, assuming that only half the working period is spent in producing the amount of the wage, and that the

other half goes in unpaid labour to the capitalist) the following situation results: the £50 spent on wages creates another £50 in addition to itself, while the £50 constant capital is transferred to the product. The product is made up of 50 constant capital + 50 wages + 50 surplus. An investment of 100 gives a return of 150. The rate of profit is 50%.

But in another line of production a much greater amount of constant capital per man might be required. (Compare say the building industry and the chemical industry.) It might be that in an investment of £100, £90 would go on constant capital and only £10 on wages. Assuming again a rate of exploitation of 100%, the £10 going on wages will create 100% surplus, or £10. In this case the product will be made up of 90 constant + 10 wages + 10 surplus. An investment of 100 gives a return of 110. Though the rate of exploitation remains the same, the rate of profit is only 10% because of the higher organic composition of the capital involved.

If the prices of commodities expressed their actual values there would be different rates of profit in different industries due to different organic compositions of capital. The industries in which wages formed the greatest part of invested capital would have the highest rates of profit, and industries in which constant capital formed the greatest part of invested capital would have the lowest rates of profit.

But "There is no doubt...that aside from unessential, incidental and mutually compensating distinctions, differences in the average rate of profit in the various branches of industry do not exist in reality, and could not exist without abolishing the entire system of capitalist production". (Capital. Vol. 3 P 12)

The capitalist is interested in the rate of profit on his total investment, not in the rate of surplus value on the variable part of it. From his point of view, says Marx, he "rightly believes that his profit is not derived solely from the labour employed by him", but from his total investment. If due to high organic composition, the rate of profit is low in a certain branch of industry, he would be a stupid capitalist who would invest his money in it. But if capitalists did not invest in industries requiring large amounts of constant capital (which are often the most advanced industries technologically) the system would not last long.

If the system is to function the situation has to arise where investment in industries requiring a high capital content

gives a rate of profit as high as investment in industries with high labour content, even though it is labour alone which creates surplus value or profit.

It is obvious that average profit in all branches of industry can only arise if part of the surplus value created in industries with a high labour content is transferred to industries with high capital content. According to Marx, this is what happens. What the capitalist gets from the sale of his products is his costs (constant capital + wages) plus more or less average rate of profit.

The two examples we have taken are

a) $50c + 50v + 50s = 150$

b) $90c + 10v + 10s = 110$

In reality the products of a) will not sell for £150 and the products of b) for £110 since this would give unequal rates of profit (50% & 10%) on the same investment, (£100). What happens is that each gets its costs (£100) plus a share of the total surplus proportionate to its costs. The total surplus is £60. The costs in each case £100. Each £100 of investment will therefore take £30 of the surplus, giving an average profit of 30%. The products of a) will therefore sell below their value and the products of b) above their value. Prices in the first case will be lower than value and in the second case will be higher than value.

"So far as profits are concerned, the various capitalists are just so many stockholders in a stock company in which the shares of profit are uniformly divided per 100, so that profits differ in the case of individual capitalists only in accordance with the amount of capital invested by each in the aggregate enterprise, i.e. according to investment in social production as a whole, according to his number of shares... His cost prices are specific. But the profit added to them is independent of his particular sphere of production, by a simple average per 100 units of invested capital." (Vol.3 156/7)

Average profit on invested capital results from the competition of the various capitalists on the capitalist market. But "under capitalist production, the general law acts as the prevailing tendency only in a very complicated and approximate manner, as a never ascertainable average of ceaseless fluctuations". (Vol 3. P159)

21.

Reading Capital can be hard work. But it results in a clearer understanding of reality. The book is complex because the reality is complex. But the book enables one to understand all the intricacies of the reality. It exposes every crevice of the bourgeois system and of the bourgeois soul. It shows how, underlying the complexity of the system, is the extraction of surplus value from labour, and the fight for shares in this surplus by capitalists, landlords and moneylenders.

Now let us turn to the critics of Marx, and in particular to Dobb and Sweezy.

Classical bourgeois political economists (Petty, Smith, Ricardo) did much to clarify the nature of the bourgeois system. Marx built on their work. But after the publication of Capital bourgeois political economy began a process of mystification of the bourgeois system in an attempt to prevent its overthrow. One school of mystification (the Lausanne school) was founded by Walras in the last quarter of the 19th century. According to Walras, the bourgeois system could only be described in algebra. The value of a thing is not its labour content, but an algebraic expression representing the subjective desires of the consumers for it.

Walras once referred to "the men who have best understood and followed me, like Bortkiewicz, Pareto, Borone..." Pareto was the theoretical herald of Italian fascism, and was made a Senator by Mussolini. Bortkiewicz is the darling of the modern revisionists who claim that he corrected Marx's errors on the theory of prices.

The problem is to show how values are transformed into prices. Marx said that prices are made up of cost plus average profit (This is the price of production, as distinct from the value of a commodity). Bortkiewicz in 1907 made his claim to immortality by objecting that: "This solution of the problem can not be accepted because it excludes the constant and variable capitals from the transformation process, whereas the principle of equal profit rate, when it takes the place of the law of value in Marx's sense, must involve these elements". He convinced himself that "the price expression for constant capital comes from multiplying the corresponding value expression by $\frac{32}{25}$, and the price expression for variable capital from multiplying the corresponding value expression by $\frac{16}{15}$ ".

He also introduces a novel method of calculating average profit (which Marx calculated simply by placing total surplus value over total wages and constant capital). He gives an

example of his price theory in which the total price of all commodities works out at 15% above their value. This is a totally nonsensical conclusion since, as Marx showed "...the sum of prices of production of all commodities produced in a society is equal to the sum of their values" (Vol 3 P 157). It is only in this or that branch of production that prices can be higher than values (to average the rate of profit). Total prices must equal total values.

Bortkiewicz sank into a well-merited obscurity until he was dug up by Paul Sweezy and presented as the bourgeois who corrected Marx's theory of prices. (He also 'corrected' Marx's theory of wages and of the falling rate of profit which, it seems, is really a rising rate of profit.) "Bortkiewicz deserves a place among the top flight economists of the early 20th century" declared Sweezy in his Introduction to a reprint of Bortkiewicz's "On the Correction of Marx's Fundamental Theoretical Construction". In his "Theory of Capitalist Development" Sweezy openly rejected "Marx's error" (P 15) and based the section on prices on Bortkiewicz.

In his review of Sweezy's book in "Science & Society" (Summer 1943) Maurice Dobb wrote: "Dr. Sweezy has written one of the most important books on Marxian economic theory that have appeared in the English language to date...one can have little hesitation in calling it the most important work that has yet appeared on the subject by an English speaking pen... What will, I think, prove the most novel part of this discussion...is the analysis of the so-called 'transformation problem'... Here the author has been influenced by the little - known writings of Bortkiewicz, one of the very few serious and understanding critics of the economic theory of Marx".

In 1943 Dobb still felt compelled to remark that "Dr. Sweezy seems to adopt rather too uncritical an attitude towards... Bortkiewicz", and some time later, that "the question is mainly of formal interest" (Economic Theory & Socialism P279). But, though the question was "mainly of formal interest", Dobb made certain that "Marx's error" on the theory of prices was continuously referred to, and in this he was ably abetted by others of his kind. In his latest book he declares that Marx's theory "was open to some, at least, of the objections which Bohm-Bawerk and later Bortkiewicz levelled at it" (Capitalism, Development & Planning, 1967). So not only Bortkiewicz, but another bourgeois economist, Bawerk, corrected Marx. (Lenin, it might be mentioned, was definitely of the contrary opinion in the case of Bohm Bawerk and we can sure he would not have been impressed by Bortkiewicz's quibbles.)

So much for "Marx's error" according the critics of Marx. Now let us glance at Capital:

"...for the buyer the price of production of a specific commodity is its cost price, and may thus pass as cost price into the prices of other commodities. Since the price of production may differ from the value of a commodity, it follows that the cost price of a commodity containing this price of production of another commodity may also stand above or below that portion of its total value derived from the value of the means of production consumed by it. It is necessary to remember this modified significance of the cost price, and to bear in mind that there is always the possibility of an error if the cost-price of a commodity in any particular sphere is identified with the value of the means of production consumed by it. Our present analysis does not necessitate a closer examination of this point.

It remains true, nevertheless, that the cost price of a commodity is always smaller than its value. For no matter how much the cost price of a commodity may differ from the value of the means of production consumed by it, this past mistake is irrelevant to the capitalist". (Vol 3 P162/3)

We can see that Marx was perfectly aware of the "problem", but, as with many other such "problems", he excluded it from his analysis as an inessential. To suggest that Marx made an error on this point is therefore (for a person who declares himself to be a Marxist economist) either unforgivable deception or unforgivable ignorance.

It was open to Dobb, Sweezy & Co., if they thought that the question had become an important one, and they wished to clarify it, to do so. But they have not clarified it. Dobb says that the solution if it can be found will be like the solution of a set of simultaneous equations" (Capitalism etc. P256), thus reverting to Walras's position that the capitalist process can only be described in algebra. Engels says that Marx was perfectly familiar with advanced mathematics which he used in working out certain problems connected with Capital. But in his exposition he exposed the intricacies of a functioning system of capitalist exploitation and distribution using only the simplest mathematical symbols, and using them to clarify the question. The "critics" have produced much algebra. They have solved nothing. They have clarified nothing. Their only purpose has been to sow confusion and to get us accustomed to hearing about "Marx's errors", thinking they would get away with it if the first "error" they chose was sufficiently obscure. They want to breed scepticism in the working

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class with regard to Capital. It does not suit their interests at all that Capital should be the "Bible of the working class".

We have only dealt with one aspect of the modern "criticism" of Marx. We have not dealt with "criticism" of Marx in connection with the law of the falling rate of profit and the law of increasing social misery, with Dobb's assertion that there is no inherent connection between the law of value and surplus value, and many other points. But on all these points the "criticism" is just as dishonest and as trivial as on the "transformation problem".

As a general comment on all these "criticisms" of Marx, we will only say, in the words of Lenin:

"We cannot call such sallies anything else but yelping.... we simply cannot reply to yelping, and can only shrug our shoulders and say: The lap dog must be strong indeed if at the elephant he barks!" (What The Friends Of The People Are"p52)

Why do these bourgeois intellectuals do it? There is no mystery about it. Mao Tse-tung has answered it with the question, "Was there ever a cat that did not love fish?" (September 1967)

Note

The nature of the "problem" has, perhaps, not been made sufficiently clear above. It has never been clearly stated by Dobb etc. Bortkiewicz says that Marx's price theory is wrong because it "excludes the constant and variable capitals from the transformation process, whereas the principle of the equal rate of profit...must involve these elements." In the course of the Marx Memorial Lecture which he delivered in London in 1967, Dobb put it this way: that Marx only viewed "outputs" as having prices of production, whereas "inputs" (wages and capital goods) also have prices of production. The inputs of one enterprise or industry are the outputs of another enterprise or industry, therefore there is already a difference between value and price in the capital laid out by the capitalist. So we get prices of production on top of prices of production on top of prices of production etc.. And it seems to be suggested that there is a cumulative divergence between value and price. But Dobb, Sweezy etc, have never worked out the full implications of this position and stated it clearly. Their "criticism" of Marx consists of an insinuation here and a jibe there. They are mere hit-and-run critics.

We cannot attempt a comprehensive treatment of the question here. To expose the charlatanism of Dobb etc. it is sufficient to show that Marx was perfectly aware of the fact that "inputs" were the "outputs" of previous production and therefore were bought at prices of production. Marx was of the opinion that "our present analysis does not necessitate a closer examination of this point". Dobb has not shown that this was a false opinion.

Below is a letter, reprinted from the Irish Communist of Dec. 1967, in which attention is drawn to an inaccurate statement made on p18 on this pamphlet. An assumption made deliberately by Marx in Vol. 1 of Capital, for the purpose of ~~expounding~~ the elements of the labour theory of value, is given as a statement of fact about a functioning capitalist system:

"I received some of your publications while attending the Conference on Marx's Capital after 100 years. It was impressive to an Australian like myself, to note the defence of Cde. J.V. Stalin and K. Marx came from the same group of people. This was by no means accidental. Your "Capital and Revisionism" is excellent and a fitting answer to revisionism so in evidence at this conference.

"There is however a point I would like to query; it is the following statement, "On an average commodities of equal value exchange for one another on the capitalist market." (p18. My stress) The author(s) seem to take a different position on p 20 when discussing prices of production. But let me go directly to Marx, Vol 3, p202: 'The exchange of commodities at their values, or approximately at their values, thus requires a much lower stage than their exchange at their prices of production, which requires a definite level of capitalist development... Apart from the domination of prices and price movement by the law of value, it is quite appropriate to regard the values of commodities as not only theoretically but also historically antecedent (prior) to the prices of production'

"The main aim of Engel's article, Law of Value and Rate of Profit, is to clarify this point. In this article Engels remarks "...the Marxian Law of value holds generally, as far as economic laws are valid at all, for the whole period of simple commodity production, that is, up to the time when the latter suffer a modification through the appearance of the capitalist form of production. Up to that time prices gravitate towards the values fixed according to Marxian simple commodity production and oscillate around those values, so that the more fully simple commodity production develops, the more the average prices over long periods uninterrupted by external violent disturbances coincide with values within a negligible margin." (Engels. On Marx's Capital. p. 99)

"My understanding is that it is precisely under capitalist commodity production that exchange takes place, not at values of commodities, but at their prices of production.....

G. Ruthven "

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