

Marxism: The Negation of Communism

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The main points of disagreement between anarchist and marxist economics are over the issues of self-management and the free exchange of products (either goods or services). For anarchists, the single most important requirement of an economic revolution is workers' self-management, that workers have direct control over their own production and distribution of goods and services. With the exception of the pro-capitalist, phoney "libertarians" for whom "the market" is synonymous with human freedom, anarchists see the exchange of products between workplace associations as a sometimes necessary evil to keep the economy going until the problem of scarcity has been overcome or sufficient trust has developed among the workers to freely produce directly for social needs.

For Marx and his followers, however, production for exchange (ie.commodities) is the central feature of the capitalist system. Production for exchange, instead of for local use, is what distinguishes capitalism from earlier forms of economics, and is the source of the division of labor, and the alienation and misery of the workers. Communism, therefore, was defined by Marx largely in terms of doing away with commodity exchange, and the only way to assure this would be done was to assert state control over the economy and plan the economy centrally.

This statism of Marx's economics shows up clearly in *The Communist Manifesto*, written by Marx and Engels...in the most advanced countries, the following [measures] will be pretty generally applicable... Centralization of credit in the hands of the state, by means of a national bank with state capital and an exclusive monopoly... Centralization of the means of communication and transportation in the hands of the state... Extension of factories and instruments of production owned by the state... Establishment of industrial armies, especially for agriculture. (p.30)

Central economic planning, however, precludes worker self-management and direct control of workers over economic decision-making. Self-management introduces an unpredictable, random factor into the economy, which makes central planning difficult, if not impossible. Even worse, it always presents the danger of reverting to an exchange economy, if the central plan collapses. That Marx was hostile to anarchist notions of self-management is clear in his criticisms of Bakunin: Under collective [state-owned] property the so-called popular will disappears to be replaced by the genuine will of the co-operative...If Mr. Bakunin understood at least the position of a manager in a co-operative factory, all his illusions about domination would go to the devil. He ought to have asked himself what form the functions of management could assume in such a workers' state, if he chooses to call it thus. ("Conspectus of Bakunin's Book *State and Anarchy*", in *Anarchism and Anarcho-Syndicalism*, pp.150-151)

Friedrich Engels, Marx's closest political associate, made this even clearer:

...if [the anarchists] had but given a little study to economic questions and conditions in modern industry, they would know that no joint action of any sort is possible without imposing on some an extraneous will, ie. an authority. Whether it be the will of a majority of voters, of a leading committee, or of one man, it is still a will imposed on the dissentients; but without that single and directing will, no co-operation is possible. Go and run one of the big Barcelona factories without direction, that is, without authority! ("Engels to P. Lafargue in Madrid", in *Anarchism and Anarcho-Syndicalism*, p. 58)

The goal of marxist economics is to build one giant, world-wide, all embracing, harmonious co-operative under central direction. As Marx described it:

...all labors, in which many individuals co-operate, necessarily require for the connection and unity of the process one commanding will, and this performs a function, which does not refer to fragmentary operations, but to the combined labor of a workshop, in the same way as does that of a director of an orchestra. (Capital, Volume III, p.451)

The Dialectical Approach to Communism

To understand marxist economics, it is necessary to understand its roots in Hegelian philosophy. Marx and Engels began as followers of the German philosopher, Hegel. For Hegel and Marx, the only truly scientific approach to understanding anything, whether it is religion, nature, politics, or economics is through dialectical reasoning. Dialectics begins with a logical assumption or observation, such as $A = A$, this is called “unity”. This, however, tells us very little about what A is, so we must contrast it to something else, such as $A \neq B$, which is called “opposition”. Then assuming we have chosen A and B correctly based upon an definite relationship between A and B, we can put them together as a set or “category”, a “unity of opposites”. Out of this “unity of opposites” comes motion and change, the opposition is resolved into a new “unity”, starting the whole reasoning process all over again. Eventually by moving from one category to the next, a system of categories is developed which is able to account for all the facts, in other words, a scientific model.

Hegel and his successors, however, claimed that dialectics was not simply a method of reasoning, but also manifests itself in nature. All motion and change is a result of opposition to the current reality. As the philosopher Richard Norman puts it, With this notion of “development through conflict” we move to a different concept of contradiction...it introduces a distinctly new emphasis. What is now asserted is that there are contradictions in reality in so far as there are conflicts between antagonistic forces, and that these are the source of all developments, as evidenced by Newtonian mechanics, the Darwinian theory of evolution, and the Marxist theory of class struggle. (Hegel, Marx, and Dialectic, p.56)

From Hegel, Marx took the idea that history evolves according to a dialectic, in which societies rise and fall because of their internal “contradictions” or conflicts, and applied it to the task of creating communism. Marx criticized earlier socialist theorists, Fourier, Saint Simon, etc. as having a utopian approach towards socialism. Since socialism does not exist, one cannot describe a workable socialist system in the form of an exact blueprint. The closest one can come to describing socialism or communism is as a “negation” or the opposite of capitalism. Communism is the position as the negation of the negation, and hence is the actual phase necessary for the next stage of historical development in the process of human emancipation and recovery. (Karl Marx, Economic and Philosophical Manuscripts of 1844, p.114)

A “scientific” approach is to study the history of economic systems and the factors that cause them to change. For Marx, the most important factor in bringing about historical change is the steadily increasing means of production. Social systems rise and fall because of their ability or inability to materially improve the lives of their populations. Each new social system develops because it can do a better job of improving productivity than the old system. At the same time, however, the new social system itself is plagued by limitations, or “contradictions”, which can only be resolved by the next historical stage. Communism, which Marx assumed would be the

next historical stage after capitalism, therefore is to be discovered by studying the contradictions of capitalism.¹

Dialectical Contradictions of Capitalism

Capitalism is a system of production for exchange instead of direct use, a commodity economy. All commodities have both a use value and an exchange value. The exchange value of a commodity is determined by the average amount of social labor time required to produce that type of commodity. The value of a commodity, however, can only be realized by the act of exchange. Thus where there is no exchange, there has been no value produced, no matter how much labor time has been spent or how much use might exist for the product. This is capitalism's first contradiction.

Furthermore, exchange creates another contradiction for capitalism, the division of labor. Without the division of labor into different industries producing different commodities, there would be no reason for exchange. But for different types of labor to be easily exchanged for each other (in their form as commodities), they must be reduced to a common, abstract form. Commodities, first of all, enter into the process of exchange just as they are. The process then differentiates them into commodities and money, and thus produces an external opposition inherent in them, as being at once use-values and values. Commodities as use-values now stand opposed to money as exchange value. On the other hand, both opposing sides are commodities, unities of use-value and value. But this unity of differences manifests itself at two opposite poles in an opposite way. (Capital, Vol. I, p.117)

Money, which is both the measure of value and the universal commodity (in effect becoming labor value in the abstract), helps to resolve these contradictions by facilitating exchange. Money, however, creates a new contradiction. Since money now mediates exchange, it separates the exchange of commodities into two different transactions, sale and purchase. In order to buy the commodities of others, it is necessary to sell one's own commodities to obtain money. And vice versa, in order to sell, it is necessary to buy and thus, keep money in circulation. When for some reason beyond the individual capitalist's control, circulation slows down or stops (usually because capitalists have collectively created an oversupply of goods which they are unable to sell at a profit), the system is thrown into crisis. We see then, commodities are in love with money, but "the course of true love never did run smooth". The quantitative division of labor is brought about in exactly the same spontaneous and accidental manner as its qualitative division. The owners of commodities therefore find out that the same division of labour that turns them into independent private producers, also frees the social process of production and the relations of the individual producers to each other within that process, from all dependence on the will of the producers, and that seeming mutual independence of the individuals is supplemented by a system of general and mutual dependence through or by the means of production. (Capital, Vol. I, p.121) In a crisis, the antithesis between commodities and their value- form, money, becomes heightened into an absolute contradiction. (Capital, Vol. I, p. 151)

The only way for the capitalist to survive a crisis is to have sufficient money on hand to wait it out. This is what drives the capitalist to accumulate money and continually reinvest it as

¹ For a more detailed explanation of the relation between Marxism and Hegel see Tony Smith's *The Logic of Marx's Capital*.

capital to make more money. It is not simply a matter of greed, but survival. However, in order to accumulate, it is necessary to create a surplus. This drive for “surplus- value” is a source of new contradictions for capitalism. Since commodities must be exchanged for other commodities of equal value, the only place where a surplus can be achieved is in the production process. Labor must be made to produce more value in commodities than it is paid in wages. Equality in exchange thus leads to exploitation and inequality of social classes. The labor theory of value has as its dialectical corollary, the commodity theory of labor power. The price of labor power is not the value created by that labor power, since then there would be no surplus, but the value of commodities needed to barely sustain the workers and their families. The value of labour-power is determined, as in the case of every other commodity, by the labour-time necessary for production, and consequently also reproduction, of this special article...in other words, the value of labour-power is the value of the means of subsistence necessary for the maintenance of the labourer...(Capital, Vol. I, p. 189)

The capitalist has a number of ways for forcing workers to produce a surplus. The most important of these is the division of labor. The production process is divided and sub-divided into specialized tasks, thus forcing workers to become more efficient, regardless of the increase in stress and brain-numbing monotony caused. The contradiction resulting from the division of labor is that it does away with the old, individually isolated labor of handicrafts and replaces it with a higher form of “co- operative” social production. The factory creates the social basis for labor organization, the collective resistance of the working class to their exploitation. A struggle develops between workers and employers over wages and the length of the working day. The capitalist maintains his rights as a purchaser [of labor power] when he tries to make the working day as long as possible...the labourer maintains his right as a seller when he wishes to reduce the working day to one of definite normal duration...Hence it is that in the history of capitalist production, the determination of what is a working day, presents itself as the result of a struggle, a struggle between collective capital, ie.,the class of capitalists, and collective labor, ie., the working class. (Capital, Vol I, p.259)

The capitalist seeks to resolve this conflict by minimizing the need for labor through the introduction of machinery. Machinery allows labor to become even more simplified, turning skilled laborers into mere machine tenders. Since machine tending requires little strength or education, male workers can be replaced with women and children, thereby undermining labor unions. At the same time, the unemployment caused by replacing human labor with machines, creates an “industrial reserve army”. The unemployed, desperate for work at any wage level, help to keep wage rates down at subsistence level. They also form a labor reserve which can be moved from industry to industry as they are needed. The laboring population therefore produces, along with the accumulation of capital produced by it, the means by which itself is made relatively superfluous, is turned into a relative surplus population; and it does this to an always increasing extent...But if a surplus labouring population is a necessary product of accumulation or of development of wealth on a capitalist basis, this surplus population becomes, conversely, the lever of capitalist accumulation, nay, a condition of existence of the capitalist mode of production. It forms a disposable industrial reserve army, that belongs to capital quite as absolutely as if the latter had bred it at its own cost. (Capital, Vol I, pp. 692–693)

As the capitalists mechanize production, however, they sow the seeds for their own destruction. As workers move from industry to industry in search of work, the division of labor becomes meaningless. The specialized worker is replaced by the generalized worker. As the division of

labor becomes unnecessary, the historical reason for an exchange economy is removed. The increased interdependence of social production comes more and more into conflict with private ownership and management of the means of production. These result in economic crises, the “anarchy” of the marketplace. The need for economic planning on a large scale becomes obvious. The increased volume of industrial establishments forms everywhere the point of departure for a more comprehensive organisation of the co-operative labor of many, for a wider development of their material powers, that is, for the progressive transformation of isolated processes of production carried on in accustomed ways into socially combined and scientifically managed processes of production. (Capital, Vol.I,p.688)

...the growing accumulation of capital implies its growing concentration. Thus the power of capital, the personification of the conditions of social production in the capitalist, grows over the heads of the real producers. Capital shows itself more and more as a social power, whose agent the capitalist is, and which stands no longer in any possible relation to the things which the labor of any single individual can create. Capital becomes a strange, independent social power, which stands opposed to society...The contradiction between capital as a general social power and as a power of private capitalists over the social conditions of production develops into an ever more irreconcilable clash, which implies the dissolution of these relations...(Capital, Vol. III, p. 310)

The final collapse of capitalism comes about through the expansion of the means of production to the point where the labor value of products reaches a minimum. Since surplus value is a fraction of labor value, the reduction of the labor power embodied in commodities, results in a falling rate of profit. Only the largest capitalists can still make money at low profit margins. The smaller capitalists are ruined and join the ranks of the proletariat. Eventually the capitalists curtail production as they are unable to accumulate any more capital. Capitalism has become a fetter on production. The destitute workers revolt, establish the “dictatorship of the proletariat”, and the communist mode of production replaces capitalism. Centralisation of the means of production and socialisation of labour 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...capitalist production begets, with the inexorability of a law of Nature, its own negation. It is the negation of the negation. (Capital, Vol. I, p.837)

The Problems with Marxist Economics

Marxist economics were not necessarily the major advance in socialist economics that some people think. Marx was not the first to use the labor theory of value, itself a development of bourgeois economics, as an indictment against the capitalist system. Neither was he the first to use dialectics to critique the capitalist system. Marx’s claim to originality lies in the blending of the labor theory of value into his theory of dialectical materialism. Where earlier socialist economists criticized capitalism because it did not obey its own law of value, Marx argued, on the contrary, that it did, and that ultimately this would lead to its own destruction. What other labor value theorists ignored, Marx claimed, was that the exchange of goods at their labor value went hand in hand with the sale of labor power at its commodity equivalent. Thus any attempt

to use the labor theory of value to create a more just society based on the free exchange of goods, was utopian at best, if not totally reactionary.

Marx's economic theory rests on a few central ideas, the labor theory of value, the commodity theory of labor power, and dialectical materialism. If these ideas can be disproved, the marxist theoretical edifice collapses. To begin, let's look at the labor theory of value. Marx's main argument for the labor theory of value is that labor is the thing which all commodities have in common, and that therefore this allows different commodities to be exchanged. There can be little dispute that labor is the major factor in production. Yet labor is not the only thing which commodities have in common. Their production also requires the use of scarce natural resources and energy.

Scarcity does play a role in determining the value of commodities. Commodities which are the products of scarce raw materials exchange at higher value than do commodities made with raw materials of greater availability. Marx unintentionally admitted as much in his theory of land rent. Marx criticized Ricardo's theory of rent because Ricardo pointed out that land rents at different rates based on fertility, without accounting for "absolute rent", the minimum rental rate based upon the least fertile land. The source of absolute rent, Marx argued, is the monopoly of landowners on all fertile land, which prevents capitalist farmers from producing agricultural goods without paying the landlord a fee for using the land. Rent, therefore, is a surplus value extracted from agriculture beyond the surplus value obtained in the production of agricultural commodities. What did not occur to Marx is that since land is not itself a manufactured good and thus has no labor value, the paying of a "surplus value" to the landlord is qualitatively different than the extraction of a surplus through the manufacturing of commodities. It is an acknowledgement of the fact that scarce raw materials, such as arable land, do have exchangeable value, regardless of whether the landlord is entitled to receive that value or not.²

Energy, like scarce raw materials, also contributes to the value of commodities. As production becomes more mechanized, the amount of human labor required to produce a commodity decreases. However, the non-human energy required to produce the commodity goes up. Energy, since it comes from the consumption of scarce fuels, has value. Unlike other scarce materials, however, energy can not be recycled. Unlike machinery, or "constant capital" it does not accumulate nor depreciate. As production becomes more mechanized, the labor value of the commodity goes down, while its energy value rises, and partially offsets the labor saving involved. The rising cost of energy due to both an increased demand and diminishing supply, will act to prevent the value of commodities from falling close to zero, as predicted by Marx's labor value theory. This trade off between energy and labor, probably explains the rise of the modern "post-industrial" service economy, in which manufactured goods of low labor value but high energy value, are exchanged for labor-intensive services.

There are, of course, other factors besides scarcity, labor, and energy, which affect the value of goods and services. The costs of maintaining the physical and social infrastructure, come into play, as well as aesthetics, culture, and perhaps many other influences. The point is that labor power alone, does not determine exchange value in capitalist society, nor will it in any future society. Without the labor theory of value, however, the main driving force in Marx's theory is

² Marx's criticism of Ricardo's rent analysis is to be found in his notebooks under "Theories of Surplus Value." See Oakley, Volume 2, pp. 64, 105, 106.

lost. Capitalism will not collapse because of its inability to extract a surplus from a diminishing labor force.

On the other hand, Marx did not solely base his prediction that capitalism would collapse on the “falling rate of profit”, but also on the increased class conflict due the commodity theory of labor power. According to this theory, under capitalism labor power is exchanged just like any other commodity. Its value is not the whole of the product which it produces, but only that portion necessary to keep the worker alive and to feed his/her children, the next generation of workers. Marx, to distinguish his theory from the so-called “iron law of wages”, qualified this theory by saying that the level of necessary wages was “culturally determined”. Thus the wage levels of workers must include more than just the bare minimum to stay alive, but also must include the costs of education, and be able to sustain the workers and their families at a standard considered appropriate for that country. Marx acknowledged that the trade unions played a necessary role in keeping up this standard of living. However, the increasing mechanization of industry, would undermine the efforts of the unions by pitting them against a growing reserve army of the unemployed, driving wage levels ever lower, until the desperate workers would overthrow capitalism.

Unfortunately, the commodity theory of labor power has even less to back it up than the labor theory of value. The weak spot in Marx’s argument is his admission that subsistence wages are “culturally determined” and influenced by union efforts. No longer are we dealing with economic laws, but with a host of other variables like the level of union organization, working class rebelliousness, and cultural expectations about what is an acceptable standard of living. All these exceptions to the rule that wage rates are tied to some minimum, invalidate the rule itself. The history of the past century, the victories won by the union movement and the rise of the capitalist welfare state, demonstrate the fallacy of Marx’s argument.

What is more, the labor theory of value and the commodity theory of labor power contradict each other. According to Marx, the labor theory of value must result in a falling rate of profit. Marx tried to prove this mathematically with his equation for profit rate, $p.r.=s/(c+v)$, where s is surplus value, c is the amount of constant capital invested in machinery, and v the variable capital paid out in wages. If the amount of constant capital, c , rises while the other two variables remain constant (ie. a constant rate of exploitation of labor, s/v), the overall rate of profit must fall. However, this ignores the fact that as commodities become cheaper due to improved production methods, workers can purchase more goods with less wages. For there to be a falling rate of profit, workers real wages (purchasing power) have to rise above subsistence level. On the other hand, this would mean that the commodity theory of labor power was invalid.³

Marx insisted that both theories were true, regardless of the contradictions, because they were necessary to his theory of dialectical materialism. According to Marx, capitalism must develop the means of production to the point where the private ownership of the means of production is no longer historically necessary. This is an article of faith, however, since there is no reason to conclude that communism must necessarily follow capitalism. Dialectical materialism reduces history to a single cause, the quest for greater economic productivity. Supposedly history can be fitted into so many categories based upon a civilization’s increasingly powerful “mode of production”, eg. asiatic, feudal, capitalist and, by extension, socialist. This model of historical change leaves out many historical variables, like the role of political institutions, ideology, cul-

³ See Robinson, p.36.

ture, etc., or treats them as secondary effects or “superstructure”. Many historical events have no economic explanation at all, for instance, the conquest of the Roman empire by relatively economically backward invaders.

On the other hand, even supposing dialectical materialism were true, it does not provide a basis for predicting capitalism’s successor. According to dialectics, the successor to capitalism must in some way be a negation of capitalism, and in some way a continuation. Marx arbitrarily concluded that what would be negated was capitalism’s “anarchic” unplanned, exchange system, but that the technological advances made under capitalism would be preserved. As empirical evidence for his position, Marx cited the growing centralization of production in the hands of corporations and the state. This allowed economic planning to go beyond the single factory, to embrace a global network of factories, industries, and regions. Marx saw this as a dialectical tendency in the direction of communism. As capitalism gave way to more centralized planning, the absurdity of private ownership would become obvious to everyone and the remaining capitalists would be expropriated.

Now that a century has passed since Marx laid down his doctrines, it is clear that the centralization of capital has not brought about progress towards communism. What has occurred is a tremendous growth in economic bureaucracy, both at the government and corporate levels. Instead of disappearing, the capitalists have melded into the ranks of corporate executives. The lower level corporate and state functionaries have joined with the small business people and expanded the middle class. Certainly this bureaucratization is a “negation” of old-style capitalism, but it is not a step closer to communism. A class society, when left to its own dialectic, does not develop into a classless society, but just a different type of class society. The ultimate irony has been in those countries where marxism “succeeded” in overthrowing capitalism for a time. Marxism became the official ideology of a new class society. It became its own negation, an Hegelian joke on humanity.

Marx’s Anti-Legacy

Marx’s real contribution to economics was as a capitalist economist. By concentrating on capitalism’s economic “contradictions” and helping to reveal the reasons for economic crises, Marx helped to lay the theoretical groundwork for the welfare state capitalism of the 20th century. State intervention in the economy did not undermine capitalism, but helped it gain stability and entrap the labor movement in a policy of class collaboration. Marxism, with its dialectical faith that the growth of capitalism would eventually lead to socialism, only helped rationalize the political opportunism of its followers. Workers could be sacrificed today as long as it helped develop the means of production to the point needed for communism. History would take care of the rest.

Whatever the merits of dialectical logic, it is useless as a tool for building a new society. The means for building a classless society can not be discovered by criticizing capitalism. Criticism itself, is impossible without some ideas of how things could be made better. Thus dialectics is not free of “a priori” assumptions, which the Hegelians claimed were the problem of empirical science. Marx assumed that communism would be the next mode of production after capitalism, and assumed what its characteristics would be, although he did not draw up a detailed blueprint. He then tried to show that this was the direction in which things were going, and ignored or ex-

plained away evidence to the contrary. History has proven him wrong. The quest for increasing economic productivity has not brought about the emancipation of the workers.

The economics of a classless society can only be discovered by studying conscious attempts at creating workplaces and regional economies where workers are not exploited. This means researching co-operatives, communes, and the economies of countries undergoing social revolutions. The successes and failures of these will suggest what the limits and possibilities actually are.

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