

CAUSA Worldview
Section 3

Marxist View of Economy (I)
Theory of Value
Analysis, Critique and Counterproposal
(Draft Edition)



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INTRODUCTION

The bourgeoisie, wherever it has got the upper hand, has put an end to all feudal, patriarchal, idyllic relations. It has pitilessly torn asunder the motley feudal ties that bound man to his "natural superiors," and has left remaining no other bond between man than naked self-interest and callous "cash payment". It has drowned the most heavenly ecstasies, of religious fervor, of chivalrous enthusiasm, of philistine sentimentalism, in the icy water of egotistical calculation. It has resolved personal worth into exchange value, and in the place of the numberless indefeasible chartered freedoms, has set up that single, unconscionable freedom--- free trade. In one word, for exploitation, veiled by religious and political illusions, it has substituted caked, shameless, direct, brutal exploitation.

The Communist Manifesto emerged as a proclamation of world communism. Purportedly, its aim was to improve the situation of the suffering masses which in the 19th century was quite miserable. Engels describes the situation in The Condition of the Working Classes in England:

... children from the workhouses were employed in multitudes, being rented out for a number of years to the manufacturers as apprentices. They were lodged, fed, and clothed in common, and were, of course, completely the slaves of their masters, by whom they were treated with the utmost recklessness and barbarity.

... The great mortality among children of the working-class, and especially among those of the factory operatives, is proof enough of the unwholesome conditions under which they pass their first years. These influences are at work, of course, among the children who survive, but not quite so powerfully as upon

¹Karl Marx and Frederick Engels, "The Communist Manifesto", in Collected Works, Vol. 6, (New York: International Publishers), 1976, pp. 486-487.

those who succumb. The result in the most favourable case is a tendency to disease, or some check in development, and consequent less than normal vigour of constitution.

Marx and Engels purported to find a way to end the workers' state of painful oppression and to open the way for the worker to have a better way of life. In Critique of the Gotha Program, Marx stated that the goal of Marxism was to build a world where economic priorities will operate on the principle "from each according to his ability and to each according to his needs".'

Marx, however, felt that there was a fundamental barrier preventing the kind of relationships which he hoped to see within society. Marx maintained that the obstacle to real prosperity for the worker stemmed from existing production relations ("relationships of class" particularly the relationship between the capitalists and the worker.)

In order to clarify the nature of the problem that existed *between* the entrepreneur and the worker, Marx interpreted the situation on the basis of the labor theory of value and the theory of surplus value. These theories are the backbone of Marx's economics. On the foundation of the labor theory of value and the theory of surplus value, Marx predicted the imminent demise of the capitalist system.

I. THE LABOR THEORY OF VALUE

From the Marxist perspective, the most important aspect of man is his capacity to perform social labor. According to Engel's explanation of how man became man, near-men or humanoids had interaction with crude tools. Through this interaction, language and reason developed.⁴

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Frederick Engels, "The Condition of the Working-Class in England", in Collected Works, Vol. 4, (New York: International Publishers), 1976, pp. 442-443.

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Karl Marx, "Critique of the Gotha Program", in ed. David McLellan's Karl Marx: Selected Writings, (Oxford: Oxford University Press), 1977, p. 566.

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Frederick Engels, "The Part Played by Labour in the Transition from Ape to Man", in Selected Works, (Moscow: Progress Publishers), 1968, p. 361.

Labor is primordial in the Marxist view of man as well as in the Marxist view of society. In a sense, work is in the position of God to the communist. It is through labor rather than God that man is able to realize himself and become a true human being.

A. The Marxist Concept of a Commodity

According to Marx's definition, a commodity is anything produced for exchange.⁵ However, in order to be exchanged, there must be some common factor in all commodities which is quantitatively measurable; this is what Marx saw as the basis for exchange value.

In addition, a commodity has use value or the ability to fulfill a human desire.

Invariably, according to Marx, use value is intrinsic to every commodity. However, he emphasized that some things that have use value are not commodities. For example, virgin soil and natural metals contain use value because they are indispensable to man, but since they are in their natural state and do not incorporate labor, they have no value. Labor is peculiar and indispensable to all items for exchange.

If we enter into a bartering process or an exchange, there must be a common element for quantitative comparison between different commodities. This factor, Marx said, was the labor used to produce it.

For Marx, a fish cannot be considered a commodity while it is still in the sea. It becomes a commodity when brought to the market. Value is proportional to the energy expended to produce a commodity. In other words, when much labor is used the value is great, but when the labor is little the value is small.

B. Value and Labor Hours

How is the value of a commodity determined? The factor common to all commodities is labor. Therefore, the standard of measure is labor hours. For example, if it takes two hours to produce a notebook and one hour to produce a simple tablet, then two tablets have the value

⁵ S. H. Lee, Communism: A Critique and Counterproposal, (Washington, D.C.: Freedom Leadership Foundation), 1973, p. 13.

of one notebook. However, according to Marx the value of a commodity is not derived from the labor expended by a single individual. A lazy or unskilled man may need more hours to produce a tablet than would a person who is ambitious. Does that mean that the slow person's product is worth more? Of course not.

The value of a commodity is instead determined by the average labor power expended to produce a commodity. This has the effect of equalizing the output of the strong and weak worker. The average of their efforts is the average labor power. Value is not determined by individual working hours, but by the average obtained after dividing the composite labor hours of all workers by the number, for example, of tablets or whatever commodity produced. This figure constitutes the "socially necessary average labor hours".

In summary, commodity value has two aspects: use value and exchange value. In the transaction, exchange value is more important. This value is measured by the labor quantity (average labor hours). To say that a commodity has exchange value means that a definite number of labor hours has been "congealed" within the commodity. According to Marx, "All commodities are only definite masses of congealed labor time."

II. CRITIQUE OF THE LABOR THEORY OF VALUE

For Marx, all profit should be given to the laborers. Instead, Marx saw that entrepreneurs kept the profit for themselves while paying the laborers very low wages. This is the fundamental defect of the capitalist society and is the basis of its unpardonable guilt.

In order to stop such an injustice, Marx maintained that capitalist society must be overthrown.

We will examine whether Marx's conclusions are justified.

A. Critique of Marx's Concept of Commodity

Marx said that all commodities are products of labor. However, this is not true. For example, uncultivated land or forest areas may indeed be commodities, but they are hardly products of human labor.

Also, valuable natural objects may be found by chance. For example, a valuable pearl can be found by chance in an oyster that someone is eating.

A more accurate definition of a commodity would then be anything that responds to a human desire or need.

B. Labor as the Base of Exchange: a Critique

According to Marx, the exchange value of a commodity is equal to the average labor hours invested to produce it. Is this true or not?

Suppose we have two watches, one of which functions very well and the other which does not function. To produce each watch let us say that it took four hours and that the laborers were paid \$5.00 per hour or \$20.00 for the job.

If the exchange value is primordial rather than the use value, how much would the watch, which functions, be worth? Discounting raw materials and machinery, if the laborers were being paid \$5 per hour, and if it took four hours to manufacture it, then the watch which functions would be worth \$20.

How much would a watch which does not function be worth? If exchange value (labor hours) were primordial, and it took the laborer four hours to produce the non-functioning watch and if he were paid \$5 per hour, then technically that watch would also be worth \$20. But who would want such a watch?

First of all, for Marx, what determined the value of a commodity was its exchange value, or the labor hours invested to produce it. But actually, what is primordial in determining value is utility or use value.

Who goes to the market to purchase a watch and asks how many labor hours were needed to make it? Basically, no one.

C. Determination of Value: Production or Market?

Marx maintained that the value of a commodity is already determined when it comes off the production line. However, if we study more deeply Marxist economics we can recognize a contradiction within this view as well.

The watch, as an example, is the product of "complex

labor," i.e., not everyone is able to produce a watch, whereas a plain wooden table would be an example of "simple labor." Suppose it took two hours to make a table and it also took two hours to make a watch. Does it mean that one simple table is equivalent in value to one watch? Marx said "no."

Marx said one cannot simply take into account the two hours that it took to make the watch. One must also consider the fact that the watchmaker prepared and studied for many years, and therefore deserves to be compensated differently than a common laborer.

Then how would one determine that the watch was worth three, four or five tables? Could it be determined at the end of the production process? Ironically no.

Marx said that it would be determined in the market.

This is an irony because Marx said the value of a commodity is determined in the production process. Yet in relation to a product of complex labor, Marx says that when the wooden table comes off the assembly line its real value will not be decided, but instead it will be decided in the market.

What is the truth? Is the value of the product determined in the market or in the production process? Here Marx contradicted himself.

D., The impact of the labor theory of value in the Soviet Union

The application of the Labor Theory of Value has been disastrous for the Soviet economy. Many times in the Soviet Union, commodities have been produced which were not needed by the buyer. Because of the emphasis upon production, the Soviets were not sensitive to the needs of the market. For example, the Soviets can be making many, many shoes when the people actually needed coats.

Recently several western journalists visited a Soviet store. They saw beautiful rugs, but when they asked the manager of the shop why there was not a larger selection, the manager explained that the rugs had sold quickly and no more were available.

He explained that even though there was a demand for more rugs, they could not produce them due to the nature

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For this and other examples, kindly consult the Forbes magazine of December 6, 1982.

of the Soviet planned economy which focuses on production rather than market needs.

E. Empirical arguments against a centrally planned economy

It is interesting to note that within the Soviet Union 98% of the agricultural lands are controlled by the state. However, most of the Soviet farmers also have access to small, private plots which comprise even less than 2% of all the agricultural territory, yet, one-third of all meat and vegetables from the Soviet Union are produced on those private lots of land! This is very clear proof of the fact that the Soviet system fails to give the people the necessary incentive to want to work for the state.

Another example is China. In the late 1970s. Zhao Ziyang, who was the first secretary of the communist party in Si Chuan province, began an experiment whereby he permitted six factories to keep a portion of their profit. They could use that profit for reinvestment and new capital equipment or for the purpose of distributing bonuses to the workers. They also could market directly any surplus product, or diversify into new products and seek out export markets. Likewise, they had the right to reward productive workers and punish those who were not productive.

Today those six factories have expanded to 6,600 factories and comprise more than 45% of the national industrial production!

III. THE MARKET THEORY OF VALUE

How then does a business transaction occur? When a buyer feels satisfied that he is getting a good buy, and the vender feels satisfied that he is obtaining reasonable compensation for his efforts in producing his commodity, a transaction will occur.

Market economics emphatically disagrees with the belief that a commodity's value is determined by the quantity of labor necessary to produce it. Instead, it maintains that the basis of value is responsiveness---being able to respond to and satisfy the needs and wants of his fellow man.

An individual does not go to the market wondering how many hours of labor were necessary to construct a chair. Instead he will look for a chair that can fulfill his particular needs. A successful manufacturer must also have

the capability to recognize and respond to the needs and tastes of the consumer and not solely be concerned with investing "x" number of labor hours. A manufacturer's ability to respond to the needs of the consumer can be referred to as "creativity".

For example, today hand calculators are very common in all parts of the world. It would certainly be more sensible to buy a small, efficient \$10 calculator, than spend 3 or 4 times more for an old-fashioned, heavy adding machine. This is proof that the manufacturer's creativity is more important than labor hours.

It should be added that creative responsiveness in satisfying human wants is not the product only of the laborer but of many people such as the inventor, the technician, the salesman, even the company manager.

The question, then, is how to distribute the production and wealth to each of these sectors, to each child of God?

Some of us respond wisely to the market and some of us do not. Some of us are born to greater economic opportunity than are others. Some of us use our opportunities wisely, others do not. When we have much, will we waste it or use it wisely? Does not justice come from caring about those around us? Or is that love? Does not love for those around us come from investing and shepharding what we have so that it can multiply so that more can share? Do not love and justice both revolve around being true to God, to yourself, and to everyone else with whom you deal?

Men make these decisions, by themselves, on a day-to-day practical basis. Social, political and economic systems do not make men justice. Good men make their society good.

Marx mistakenly believed that a nation's capital would fall into the hands of a small number of persons; yet today General Electric has more than 3,000,000 shareholders. The same is true for- many other large corporations.

Furthermore with the development of profit-sharing programs, even workers can hold shares in a large enterprise and often do.

IV. THE SOVIET ECONOMY TODAY

In the 1960s the Soviet economy showed an annual growth rate of about 5.5%. However, during the past five years this had been decreasing toward 3%. In 1981 the rate of growth of the Soviet economy was barely 2%.

Today Eastern Europe is \$80 billion in debt to the Western world. Many people say that if the West cuts off in any way its support, it would be only a matter of time before these economies crumble.

What is the reason for this kind of situation? Essentially, it stems from the Soviet Union's dogmatic adherence to Marxist economic principles. To cover up for the inoperability of the Marxist economic system, its adherents have opted for corruption and graft.

In The U.S.S.R. The Corrupt Society, Constantin Simis makes the point that there is no room within the Soviet society for those who do not accept corruption. The same is mentioned by Ilja Zemtsov in Corruption in the Soviet Union. Simis emphasizes that within the Soviet Union anybody who is really honest about why he couldn't fulfill production quotas is seen as being an enemy of the state. Therefore everyone is expected to lie about whether they have or have not fulfilled their quota or responsibility.

Constantin Simis cites the example of an appliance factory which was expected by the government to exceed its production quota for the year. However, when it came down to the last few days, it was rather clear that it was not going to be able to fulfill this goal. In order to cover for this, the management collected the appliances of the citizens of the village and repainted them. Afterward, they proceeded to proclaim them as part of the yearly production.

A few days later those products were returned to their owners.

As a result of this achievement, the manager of the factory received a new and higher post within the government. In addition to a huge bonus, his second man became the manager of the factory. The technicians also received a very handsome bonus. The workers themselves received essentially nothing, some praise and an evening where they had an opportunity to get drunk.

In Analysis of a Spector, French Sovietologist, Alain Besancon does an interesting analysis of the Soviet

economy concluding that the Soviet economy is, in fact, a disaster. Besancon notes, for example, that the Soviets proclaim that they are the number one steel producers in the world. However, he notes that the Soviet Union produces less automobiles per year than Spain; it has only a slightly larger railway system than India; it has fewer paved and developed highways than France and even in terms of weaponry, its tank production cannot consume more than a few million tons of the steel that it supposedly produces. One has to ask the question, where is this steel going if the Soviets are actually producing 145 millions tons per year? (This quantity is equivalent to the joint output of Japan and Germany which together manufacture 12 million cars.)

In the case of Soviet steel, Besancon jokingly says that these 145 million tons represent, first of all, the production of actual steel; secondly, the production of inferior steel; thirdly, the production of reject steel; fourthly, the production of steel for rust; fifthly, the production of pseudo-steel; and finally, the pseudo production of steel!

The notion that the Soviet Union is the second economic power in the world is also a myth. Besancon points out that the Soviet Union has fewer telephones than Spain, fewer automobiles than Brazil. Luxuries such as computers or even photocopiers are virtually unknown.

Besancon mocks as a myth the idea that the U.S.S.R. has " a standard of living a little higher than that of Spain". Although the Spanish worker may need almost the same amount of time on the job as his Russian counterpart in order to buy a television, a pair of shoes, or a vacuum cleaner, Besancon notes that there are obvious differences.

In the case of the U.S.S.R., we are talking about the kind of television "one would buy in the flea market". When we are speaking of shoes, we are "talking about the kind of shoes a Moroccan migrant worker would refuse to wear." When speaking of a vacuum cleaner, we would be talking of one that only "works when you kick it."

Besancon suggests that, instead of Spain, it might be more appropriate to say the U.S.S.R. has " a standard of living a little higher than that of Bangladesh."

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For a very insightful study of the Soviet economy, kindly consult Alain Besancon's text: Analyse d'un Spectre, (Paris: Calmana-Levi), 1981, 160p.

V. THE COMMUNIST SOLUTION: TO EACH ACCORDING
TO HIS NEEDS

In Critique of the Gotha Program, Marx predicted that in Communist society, people would operate on the principle: "from each according to his ability, to each according to his needs". In the early 1960's, Nikita Khrushchev foresaw the coming of this event by the year 1980; however, did this come about?

Khrushchev's advisors prepared a study on life in the ideal communist society. They maintained that people would work only 20-25 hours a week, or approximately 4-5 hours a day and in the future even less. They foresaw that each person could chose an occupation in conformity with his or her inclinations and change it at will. They believed that all inherent talents and abilities would be fully developed and applied either in production activities or in free time.

Likewise, society would assume all responsibility for satisfying all the needs of the laborer. Labor would enjoy the highest respect in society and become in the eyes of all, the chief measure of a man's worth. Labor would become a free, voluntary matter and yet an urge and habit for all members of society.⁸

Now we are living in 1983, so did this phenomeno occur as of 1980?

1. Do Soviet citizens work 20-25 a week? Yes, this may be true because of a general problem of laziness in the Soviet Union. People go to work and sleep, but officially they are there much more than 20-25 hours. As one worker put it, "Here we have no unemployment; we have no production either.

2. Can each person choose an occupation accoding to his or her inclinations and change it at will? Recently, Yuri Andropov took measures to prevent people from switching their jobs easily or frequently. This therefore has not been fulfilled either.

3. Are the Soviet workers' abilities and talents fully developed and applied either in production activies or in their free time? What do Russians do with their

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Karl Marx and F. Engels, in ed. Harry G. Shaffer's, The Soviet Economy, (New York: Appleton-Century-Crafts, Meredith Corporation), pp. 96-104.

free time? Quite simply, much time is spent drinking. They drink, not just in their free time but on the job. It is estimated that over one-quarter of the budget of the average Soviet citizen is invested in vodka. This is also said to be one of the reasons why the life expectancy of the average male during the past 20 years has decreased from 67 to 62.

4. Is it true that the Soviet laborer need not think of his livelihood, because society is assuming responsibility for satisfying all his needs? The Soviet laborer is receiving actually only 171 rubles per month, whereas the average family of four needs 210 rubles.

5. Is it true labor enjoys the highest respect in Marxist society and is the chief measure of a man's worth? This is an admirable idea, but the reality is different. Those occupying the most important position today in society are members of the Nomenklatura. There are many references to this new class which thrives at the expense of the laborer. They have shops which the common laborer cannot even visit.

6. Has labor become a voluntary matter and habit for all members of society? Is, as Engels says, "labor the highest enjoyment known?" Soviet premier Yuri Andropov has decried the tremendous laxity on the part of the Soviet laborers. Ironically, there is a common saying among Soviet workers--"they pretend to pay us, and we pretend to work."

The ideal of giving to each according to his needs and of asking from each according to his ability, seems admirable, yet it is unachievable. How can one measure the needs of another human being? Human needs are virtually infinite. Likewise human ability is virtually infinite. They are not something which can be measured by men, particularly not by Godless men.

Today, three years after the prophesized coming of Communism, the Soviet Union has not responded even to the minimal needs of its people. In the Soviet Union today there are people suffering from diseases which are hardly known in the West. For example, still there are enormous numbers of infants affected by rickets or vitamin D deficiency. In one large Soviet city in the mid-1970's, 37.1% of all infant deaths were due to rickets. Also, the infant mortality rate in the Soviet Union in the past 20

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These examples are taken from the Forbes of December 6, 1982.

years has almost doubled. Likewise, the death rate per thousand jumped from 6.9 to 10.3 over the past 15 years. The number of victims of typhoid is 29 times higher than the United States.

The situation of the Soviet worker is miserable. However, one group within the Soviet Union is doing quite well. Michael Voslensky in The Nomenklatura makes the point that step-by-step a new class has emerged in the Soviet Union. It is a corrupt and exploitive class composed of sons and daughters of the Soviet bureaucracy.

While workers continue to have substandard living, the members of the Nomenklatura have their own villas, luxury automobiles, yachts, and private schools. As early as 1937 Andre Gide foresaw this situation. Originally inspired by the ideals of marxism, he returned disillusioned from the U.S.S.R., and lamented:

The disappearance of capitalism has not brought freedom of the Soviet workers--it is essential that the proletariat abroad should realize this fully. It is of course true that they are no longer exploited by shareholding capitalists, but nevertheless they are exploited, and in so devious, subtle and twisted a manner that they do not know any more whom to blame. The largest number of them live below the poverty line, and it is their starvation wages which permit the swollen pay-packets of the privileged workers --the pliant yes-men. One cannot fail to be shocked by the indifference shown by those in power toward their inferiors, and the servility and obsequiousness on the part of the latter--I almost said the poor. Granted that there are no longer any classes nor class distinctions in the Soviet Union; but the poor are still with them--and there are far too many of them. I had hoped to find none--or more exactly, it was precisely in order to find none that I went to the Soviet Union. But poverty there is frowned upon--one might imagine that it was indelicate and criminal--it does not arouse pity or charity, only contempt. Those who parade themselves so proudly are those whose prosperity has been bought at the price of this infinite poverty. It is not that I object to inequality of wages--I agree that it is a

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Caller Murphy, "Watching the Russians", in The Atlantic, February, 1983, pp. 33-52.

necessary and inevitable measure--but there ought to be some way of relieving the most grievous disparities. I am afraid that all this means a return to a form of working-class bourgeoisie, gratified and hence conservative--too like the petty bourgeoisie at home for my taste. I see the symptoms already. There is no doubt that all the bourgeois vices and failings still lie dormant, in spite of the Revolution, in many. Man cannot be reformed from the outside--a change of heart is necessary.--and I feel anxious when I observe all the bourgeois instincts flattered and encouraged in the Soviet Union, and all the old layers of society forming again--if not precisely social classes, at least a new kind of aristocracy, and not an aristocracy of intellect or ability, but an aristocracy of right-thinkers and conformists. In the next generation it may well be an aristocracy of money. Are my fears exaggerated? I sincerely hope so.¹¹

Indeed, Gide's fears were not exaggerated. As Zemtsov notes, in the U.S.S.R., there are still millions who live in huts, in shacks and in caves. Their diets are poor. Their futures are grim. While they live at this subsistence level, the Nomenklatura prospers with private ships, private theaters, and myriad other privileges.

This blatant discrepancy reminds one of the conditions that incited a certain Marx and Engels to write the Communist Manifesto.

¹¹ Gide, in ed. Richard Crossman's, The God that Failed, (New York: Harper & Brothers Publishers), 1949, pp. 153-184.

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