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How Socialism Can Organise Production Without Money

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ECONOMIC CALCULATION VERSUS PRODUCTION FOR USE

Defenders of capitalism never seem to ask themselves the practical question about what is the critical factor determining a production initiative in a market system, and moreover, what is the function of a cost/price calculation in relation to that initiative.

The answer is obvious from everyday experience. The factor which critically decides the production of commodities is the judgement that enterprises make about whether they can be sold in the market. Obviously, consumers buy in the market what they perceive as being for their needs. But whether or not the transaction takes place is not decided by needs, but by ability to pay. So the realisation of profit in the market determines both the production of goods and also the distribution of goods by various enterprises.

In the market system the motive of production, the organisation of production, and the distribution of goods are inseparable parts of the same economic process: the realisation of profit and the accumulation of capital. There is no choice about this. Commodity production is organised within the constraints of the circulation of capital. This capital can accumulate, maintain its level or become depleted. The economic pressure on capital is that of accumulation, the alternative is bankruptcy. The production and distribution of goods is entirely subordinate to the pressure, on capital to accumulate. Therefore the practical, technical organisation of production is entirely separate from the economic organisation of the accumulation of capital in which cost/ price, value factors play a vital part.

The economic signals of the market are not signals to produce useful things. They signal the prospects of profit and capital accumulation. If there is a profit to be made then production will take place; if there is no prospect of profit, then production will not take place. Profit not need is the deciding factor.

CALCULATING EXPLOITATION

The real function of economic calculation in the market system is not to facilitate the practical, technical organisation of production; it is ultimately about calculating the exploitation of labour.

The market system, involving the circulation of capital, generates commodity values which are brought into a relationship of exchange in the market, so that value, surplus to the value of labour-power, embodied in commodities is realised through sales. When enterprises calculate costs as a relationship of labour-time to output this is not with a view to passing on socially useful information about the organisation of production. They are calculating costs plus the average rate of profit.

Through the exchange of labour-power for wages, capital is invested in the power of workers to produce goods. It is with active labour functioning as deployed capital that capital expands. Labour-power generates more values than it consumes. These surplus values belong to the enterprise in the material form of commodities which are then sold in the market. This is where capital realises its self-expansion and thereby accumulates. The market price of commodities produced must exceed the price of the materials and labour-power required to produce them. This is what costing is all about, and it has nothing to do with the practical organisation of production. In its overall effect the subordination of useful production to the accumulation of capital distorts and constrains social production.

The market is at every point in the system a barrier of exchange between production, distribution and social needs. The circulation of capital confines useful labour within a self-enclosed system of exchange. Labour is activated by an exchange of labour-power for wages and this is determined by the capacity of the market to provide profit through sales.

Economic calculation is not part of the technical organisation of production; it is an indispensable part of the accumulation of capital whether this takes place within the free market or under the system of state capitalism.

What socialism will establish is a practical system of world production operating directly and solely for human needs. Socialism will be concerned solely with the production, distribution and consumption of useful goods and services in response to definite needs. It will integrate social needs with the material means of meeting those needs, that is to say, with active production. Under capitalism what appear to be production decisions are in fact decisions to go for profit in the market. Socialism will make economically-unencumbered production decisions as a direct response to needs. With production for use, then, the starting point will be needs.

QUANTITIES OF MATERIAL THINGS

Socialism will not depend on calculations of labour-time or the conversion of these into costs since production will not be generating exchange-values for the market. Production for use will generate useful goods and services directly for need, and this will require not economic calculation but the communication of quantities of material things throughout production. This will result from the change in productive relationships. The use of labour in a market system begins with an exchange of labour-power for wages, which is an economic exchange between individual workers and invested capital. This will be replaced by direct co-operation between producers to satisfy social needs in the material form of productive activity.

Modern production embraces activity across the world as a network of productive links. It consists of decisions and actions by individuals, small groups and large organisations. Many of these dispersed activities interact with each other and alter the pattern of the whole. Modern production can only operate on the basis of particular production units being self-adjusting to social requirements in response to information being communicated to them.

Socialism would take over existing world production which is generally structured on three scales. Socialism could rationalise this world structure on a decentralised basis which could operate in the most efficient way through a world, regional and local structure.

Extraction and processing of basic materials such as metals, oil, coal, and some agricultural products, etc., could be organised as world production with distribution to regions and localities.

These materials could be taken up by the regions for the production and assembly of component parts of machinery, equipment and goods for distribution to localities within a region. This regional organisation could include the extraction and supply of those materials which could be contained within that region. A regional tractor-producing plant could take its materials from world supply and then distribute tractors down to the localities within that region.

On the smallest scale, but nevertheless extremely important, local production units could be producing local goods for local consumption and use.

This need not be a rigid arrangement, but an adaptable skeleton structure operating in these three, world, regional and local scales. These would represent the general scales of productive organisation, through which required quantities of materials and goods could be communicated between production units.

DIRECT RESPONSES TO NEEDS

Production for use could work with the basic structure as outlined above. It would operate in direct response to need. These would arise in local communities expressed as required quantities such as grammes, kilos, tonnes, litres, metres, cubic metres etc., of various materials and quantities of goods. These would then be communicated as required elements of productive activity, as a technical sequence, to different scales of social production, according to necessity.

Each particular part of production would be responding to the material requirements communicated to it through the connected ideas of social production. It would be self-regulating, because each element of production would be self-adjusting to the communication of these material requirements. Each part of production would know its position. If requirements are low in relation to a build-up of stock, then this would be an automatic indication to a production unit that its production should be reduced. If requirements are high in relation to stock then this would be an automatic indication that its production should be increased.

The register of needs and the communication of every necessary element of those needs to the structure of production would be clear and readily known. The supply of some needs will take place within the local community and in these cases production would not extend beyond this, as for example with local food production for local consumption.

Other needs could be communicated as required things to the regional organisation of production. Local food production would require glass, but not every local community could have its own glass works. The requirements for glass could be communicated to a regional glass works. These would be definite quantities of required glass. The glass works has its own suppliers of materials, and the amounts they require for the production of 1 tonne of glass are known in definite quantities. The required quantities of these materials could then be passed by the glass works to the regional suppliers of the materials for glass manufacture. This would be a sequence of communication of local needs to the regional organisation of production, and thus contained within a region.

Local food production would also require tractors, and here the communication of required quantities of things could extend further to the world organisation of production. Regional

manufacture could produce and assemble the component parts of tractors for distribution to local communities. These would be required in a definite number and, on the basis of this definite number of final products, the definite number of component parts for tractors would also be known. The regional production unit producing tractors would communicate these definite quantities to their own suppliers, and eventually this would extend to world production units extracting and processing the necessary materials.

This would be the self-regulating system of production for need, operating on the basis of the communication of need as definite quantities of things throughout the structure of production. Each production unit would convert the requirements communicated to it into its own material requirements and pass these on to its own suppliers. This would be the sequence by which every element of labour required for the production of a final product would be known.

This system of self-regulating production for use is achieved through communications. Socialism would make full use of the means of communication which have been developed. These include not only transport such as roads, railways, shipping, etc. They also include the existing system of electronic communications which provide for instant world-wide contact as well as facilities for storing and processing millions of pieces of information. Modern information technology could be used by Socialism to integrate any required combination of different parts of its world structure of production.

IN WHOSE INTEREST?

Defenders of the market such as Von Mises and Hayek appear not to understand the system which they represent. But this is not simply a matter of them putting forward fallacious assertions as a matter of ignorance. Their position is based on a crude defence of the privileged interests which do benefit from capitalism. In arguing in favour of these interests, it appears that any nonsense which defies the reality of experience will do. Their more honest position would be that the market system does work, but for those who monopolise the means of living and that therefore economic calculation of the exploitation of labour is indispensable in pursuit of that interest.

The interest which socialists pursue is fundamentally different. Socialism stands for the interest of all workers, the wage and salaried working class on whose skills and energies the material running of society depends. But we also emphasise that the political victory of labour over capital through socialist action will result in a society which will work in the interest of the whole of mankind without distinction of race or sex.