

THE RUSSIAN REVOLUTION AND THE BOLSHEVIK DICTATORSHIP

AND

THE LABOUR THEORY OF VALUE

Education Committee, The Socialist Party of Great Britain, 52 Clapham High Street,
London, S.W. 4.

THE RUSSIAN REVOLUTION

Russia before 1914 was a country of big but inefficiently farmed landed estates, side by side with millions of peasants impoverished by the high rents they had to pay to the landlords, and a growing population of industrial workers. Capitalist industry had made big strides (largely by the investment of foreign capital) and railways had been built bringing Russian grain to the outside world. Further development was hindered by the lack of a home market where the industrial products could be sold. Apart from the minority of capitalist farmers and landlords, the rural population (peasants and labourers) were too poor to buy industrial products in large quantities. Discontent was rife among the peasants, and the prolonged industrial depression and consequent unemployment in the towns during the early years of the 20th century provided material for working-class trade union and political organisation. On top of this, the majority of the capitalists were also strongly opposed to the Tsarist regime, because its repressive methods and undemocratic structure were out of keeping with the needs of capitalist industry and commerce .

The Russian Social Democratic Party was divided into two sections which ultimately became separate parties – the “Mensheviks” (a word meaning “minority”) and the “Bolsheviks” (meaning “majority”). The Mensheviks believed that Russia must pass through the normal stage of capitalist development and democratic government. The Bolsheviks urged the need for illegal organisation and activities, and as early as 1905 believed that the conquest of power in Russia might precede and inspire revolution in the advanced countries of Western Europe. Both sections of the Party put forward a programme of reforms as their immediate demand.

The basis of the Bolshevik illegal organisation in the years before 1914 was the three “fundamental” slogans: a democratic republic; expropriation of the landowners; and the eight-hour day. Both Mensheviks and Bolsheviks believed in seeking seats in Parliament and were, in fact, represented in the “Dumas”, which the Tsar called as a promised step towards representative government.

When Russia entered the war in 1914, the Bolsheviks opposed it and voted against war credits. They strongly condemned all of the so-called socialists who supported the war on the one side or the other, and, indeed, they solicited the assistance of the Socialist Party of Great Britain to gain publicity in England for their manifesto protesting against this conduct (see *Socialist Standard*, March, 1915).

After years of defeat at the front, Russia came to the stage where a continuance of the war became impossible. The backward industrial development of the country put it beyond her powers to conduct warfare in conflict with a highly industrialised power like Germany on the enormous scale of the 20th century. Another factor was pro-German influences at the Russian court. The hardships imposed both on the civilian population and on the troops through inadequate transport, defective equipment, scarcity of food, and high prices, together with the inefficiency and corruption of the ruling class, brought about conditions of revolt. There were constant strikes in the large towns, not only for higher wages, but also for peace. There were mutinies of troops at the front. Soldiers brought out against the workers at home openly sided with them. Crowds attacked the houses of Tsarist ministers .

In this situation the Tsar, on March 11th, 1917¹, ordered the dissolution of the Duma, but the Duma decided to carry on. After the revolt of a number of regiments and a few days of confused fighting in the streets, the Tsar abdicated on March 15th. A Provisional Government was formed by the Liberals and other capitalists’ and landowners’ representatives in the Duma, together with Kerensky, who, as Minister of Justice, was supposed to represent the workers and peasants. At the same time Councils of Workers, Peasants and Soldiers (“soviets”) were being formed. The Provisional Government was monarchist, although convinced that the Tsar must go, and was in favour of continuing the war.

At first the Soviets were largely controlled by delegates hostile to the Bolsheviks, and they gave general support to the openly capitalist Provisional Government. Kerensky, Minister of Justice in the Provisional Government, was vice-president of the Soviet, and was the connecting link between the Soviet and the Committee of the Duma, the two bodies by which the Provisional Government was organised. The Soviet of Workers and Soldiers had, from the first, established the right to hold its sittings in the Hall of the Duma, where the Duma Committee also met.

In May 1917 the government became a coalition, in which the avowedly capitalist parties had a majority. Then in July Kerensky became head of a government

¹ Dates according to the modern Western calendar not adopted in Russia till February 1918. The calendar in use before then was 13 days behind, a neat illustration of the backwardness of Tsarist Russia.

containing a majority of so-called socialists and supported by the Soviets. The fact that the Kerensky government had the backing of the Soviets was of decisive importance. Because of that the Bolsheviks were for the time being unable to make headway against the government. The position was entirely changed later on when the Bolsheviks obtained control of the Soviets, but until then the Soviets were used to suppress Bolshevik activities.

For example, in June 1917 the Bolshevik minority called for an armed demonstration of soldiers and workers with the slogan, "Down with the Capitalist Government! Down with the War! All Power to the Soviets!" The counter proclamation appealing to soldiers and workers to abstain was issued jointly by the Peasants' Soviet., and the Workers' and Soldiers' Soviet. The latter appeal was successful and the Bolsheviks called off their demonstration.

It was on the motion of the Mensheviks that a Joint Conference of the two Soviets (July 3rd-5th) passed a resolution recognising the supreme authority of the Soviet, and denying membership to those who would repudiate or try to overthrow it. Troops called from the front to suppress a Bolshevik armed rising acted with the support of the Soviets. They claimed to be protecting the Government and the Soviets against the Bolshevik minority. Later, when the government had to deal with the revolt of Kornilov and his military supporters it was to the Soviets that Kerensky turned for help. .

During this period, with the war dragging on and with the former hardships aggravated by army officers attempting to seize power, the Bolshevik Party, in spite of persecution by the Kerensky government, was carrying on active propaganda in favour of peace, the giving of the land to the peasants, etc. At first the Bolsheviks had demanded the calling of a democratically-elected Constituent Assembly to decide on the future constitution of Russia. Then in April 1917 they were popularising the slogan "All Power to the Soviets", although this would have meant at that time power falling into the hands of the Mensheviks and Social Revolutionaries who had a majority on the Soviets. In July the Bolsheviks, believing that there was no longer a chance of splitting these groups from the openly capitalist parties abandoned their slogan of "All Power to the Soviets", only to revive it again two months later. In September they were even prepared to support a Menshevik and Social Revolutionary government responsible to the Soviets on the condition (in the words of Lenin) of "absolute liberty of agitation, and the calling of the Constituent Assembly at the date fixed, or even within a shorter period". This offer came to nothing.

In the meantime, owing to the general discontent, Bolshevik propaganda made continual headway. The whole political situation was transformed when they managed to get the support of a majority of the Soviet delegates, thus coming into possession of the most representative political machinery of Russia at that time.

On September 9th a Bolshevik was elected President of the Kronstadt Soviet. On October 1st the Moscow Soviet elected a Bolshevik majority. On October 8th Trotsky

was elected President of the Petrograd² Soviet, which, on October 15th, demanded the transfer of all power to the Soviets, and the conclusion of an immediate peace. During October there were seizures of land by the peasants all over Russia. On October 22nd the Petrograd Soviet formed a Military Revolutionary Committee to control the Red guards of soldiers and armed workers. Faced with this new situation the Central Committee of the Bolshevik Party, on October 23rd, accepted a resolution moved by Lenin in favour of armed insurrection.

The All-Russian Soviet Congress was arranged to meet on November 7th. On that day the Petrograd Soviet (with a Bolshevik majority) declared in favour of the overthrow of the Provisional Government. At the All Russian Soviet Congress there were 670 delegates, of whom 390 (a clear majority) were Bolsheviks and 179 were Left Social Revolutionaries who in the main supported the Bolsheviks. The Congress passed resolutions moved by Lenin in favour of peace, the abolition of the right of landowners to possession of the land, and the setting up of a “temporary” workers and peasants government pending the summoning of a Constituent Assembly. The Congress approved the “victorious insurrection of the workers and the garrison of Petrograd” and declared that “the Congress takes all power into its hands”. On November 9th a victorious rising took place in Moscow, inspired by the events in Petrograd. The Bolsheviks, within a comparatively short space of time, consolidated their position, based upon the support of majorities in the Soviets.

The significance of these episodes of Russian history in 1917 is the one Marx so constantly stressed, viz., the need to gain control of the political machinery. The Bolsheviks were enabled to do this through controlling the Soviets. The Duma, elected on a limited franchise, which excluded most of the workers and peasants, was less representative and less popular than the Soviets, and had accordingly fallen into the background soon after the overthrow of the Tsar.

Trotsky has brought out the point well in his *Lessons of October*³ Writing of the struggle during 1917 between the Bolshevik minority and the Kerensky government, he said:

“The struggle between us and the compromisers centred round the constitutional position of the Soviets. In the minds of the people the Soviets were the source of all power. Kerensky, Tseretelli, and Skobelev came from the Soviets. But we, too, were closely connected with the Soviets, for our cry was ‘All Power to the Soviets’. The Bourgeoisie considered that they inherited their rights from the State Duma. The compromisers inherited theirs from the Soviets, and so did we; but they wanted to get rid of the Soviets, and we wanted to transfer all power to the Soviets. The compromisers could not yet break the Soviets, and so they tried to make a bridge, as quickly as they could, from them to a parliamentary system. And this was why they convened the Democratic Conference and created the Preliminary Parliament . . .

² Formerly St. Petersburg, now Leningrad, then capital of Russia.

³ The quotations that follow are from the 1925 translation published by the Labour Publishing Co. A second translation was published in America in 1937.

“But it was our interest, too, to take advantage of the constitutional position of the Soviets. At the end of the Democratic Conference we forced the compromisers to agree to convene the Second Congress of Soviets. Convening the Congress embarrassed them very much; they could not oppose it, because then they would have given up the constitutional position of the Soviets; and yet they could not help seeing that this Congress – on account of the way it was composed – promised them very little good.

“...It was one thing to make an armed insurrection under the mere cry of seizing power for the party, and quite another thing to prepare an insurrection – and carry it out – under the cry of protecting the rights of the Congress of Soviets” (pp. 63-4, emphasis added).

With regard to the peculiar position of Russia, a backward country overwhelmed by the strain of the war, Trotsky said:

“The first necessity was an army that did not want to fight. The whole course of the revolution would have been changed, if at the moment of the revolution there had not been a broken and discontented peasant army of many millions, and this applies specially to the period from February to October . . . It is only because of this that the experiment with the Petrograd garrison was successful; and that experiment determined the October victory” (pp. 67-8. Note that Trotsky is using the old Russian calendar; the “October Revolution” actually took Place in November according to the modern calendar).

The “experiment” referred to by Trotsky was a decision of the Petrograd Soviet in October opposing the removal from Petrograd of troops garrisoned there. This was , said Trotsky, “really an armed insurrection . . . armed though bloodless . . . an insurrection of the Petrograd regiment against the provisional government . . . under the cry of defending and protecting the Second Congress of Soviets” (p.61).

Trotsky described this as an “almost constitutional insurrection”:

“We call this insurrection ‘constitutional’ because it grew from the ‘normal’ relations of the existing division of power. It happened more than once, even when the compromisers were in power, in the Petrograd Soviet, that the Soviet examined or amended decisions of the government. This was, as it were, part of the constitution under the regime named after Kerensky. When we Bolsheviks got the upper hand in the Petrograd Soviet we only went on with the system of double power and widened its application. We took it on ourselves to revise the order sending the troops to the front, and so we disguised the actual fact of the insurrection of the Petrograd garrison under the tradition and precedents and technique of the constitutional duplication of authority” (p.62).

It only remains to add that when the Constituent Assembly met on January 5th, 1918, a body which the Bolsheviks had themselves demanded, they promptly dissolved it on finding that a majority of its delegates were opposed to them.

THE BOLSHEVIK DICTATORSHIP

The Mensheviks argued that a premature attempt to set up Socialism in Russia would fail and lead to privation and hardship for the working class. Although the Bolsheviks did not set out to realise Socialism immediately, the outbreak of the Civil War forced them in a direction which they thought was the immediate establishment of Socialism. So it is worth having a look at the first few years of Bolshevik rule to see how the Marxian theory of social development was confirmed.

Soon after gaining control of political power the Bolsheviks agreed to share it with their new allies, the Left Social Revolutionaries. This coalition lasted until the Treaty of Brest-Litovsk in March 1918. The Left Social Revolutionaries – and many Bolsheviks – opposed the treaty as a sell-out to Germany. Lenin argued that it was necessary in order to gain time, an argument he was to have to use many, many times later to explain why practice diverged from theory. .

One of the slogans raised by all the Russian revolutionaries was for the convocation of a Constituent Assembly. The Provisional Government had fixed the date of the elections. to this Assembly for November 1917. They took place on time, under the Bolshevik-Left Social Revolutionary government. The results for the 707 seats (that were still part of Russia) gave a majority to the Social Revolutionary Party with 410 seats; the Bolsheviks got 175; the Kadets (Constitutional Democrats, or liberals) 17 and the Mensheviks 16. The Bolsheviks were thus clearly in a minority. When they dissolved the Assembly in January 1918 they gave various excuses, notably that the Social Revolutionaries had split after the list of candidates had been drawn up. A more powerful argument was that *they* had a majority in the industrial centres and that to hand over power to the country-dominated Assembly would be to hold back the anti-Tsarist, anti-landlord revolution.

Soon after winning power the Bolsheviks had to face a Civil War with the forces of counter revolution, aided by the Allied Forces of Japan, France, Britain and the United States. To deal with counter-revolutionaries within the territory they controlled the Bolshevik-Left Social Revolutionary government set up in December 1917 the Cheka (to become in February 1922 the GPU, the forerunner of Stalin's secret police). Capitalists, landlords, Kadets and Right Social Revolutionaries were the first to be dealt with. Although the Mensheviks (or most of them) and the Left Social Revolutionaries supported the Bolsheviks in the Civil War, they too were subject to restrictions. Both maintained a semi-legal existence till 1921, participating in trade union and Soviet meetings, when their leaders, including Martov, were “allowed” to go into exile.

At the same time as the opposition parties were done away with, the Bolshevik leaders took steps to curb opposition within the ranks of their own party. Since 1918 there had been a Left Opposition, opposed to Lenin's compromises, which had assumed various forms. What presented a particular threat in 1920-1 was the Workers Opposition which put forward demands mainly of a syndicalist nature. The 10th Congress of the Bolshevik Party which met in March 1921 – at the time of the

Kronstadt affair – passed a resolution banning “fractionalism”, that is, organised opposition to party policy; opponents could still express their views but they were not to join together to try to change the Party's policy. The first man to be expelled under the new rules was one, Miasnikov, who had advocated freedom of the press for everybody, including Kadets. Miasnikov, incidentally, was one of the first Bolsheviks, or ex-Bolsheviks, to see that Russia was heading not for Socialism but for state capitalism. He later ended up in a concentration camp.

Kronstadt was a naval base outside Petrograd. Traditionally revolutionary, it set itself up as an independent Soviet republic in 1921, as it had done earlier under the Provisional Government. The Bolsheviks were made of sterner stuff than Kerensky, and the Kronstadt Soviet was ruthlessly crushed.

Russia, as we saw, was basically an agrarian country. In 1917 some 80 per cent of the population was engaged in agriculture. So the Bolsheviks had to give some priority to settling the land question. One of their first decrees was that on Land. This abolished the rights of the landlords and rubber-stamped the peasants' seizures of land that were going on. The land of the landowners was divided up amongst the peasants – more or less in line with the Social Revolutionaries' programme, as opposed to the Bolshevik's pre-war programme of nationalisation and State farms – so that the predominant form of agriculture became the peasant and his family working his own land with perhaps one horse. Peasant proprietorship, in other words, became dominant. The Bolsheviks, who had some understanding of history, knew that this was the decisive stage in the revolution: Having got their land would the peasants be prepared to go any further? Before this question could be answered the Civil War broke out. To feed the towns, the Bolsheviks organised parties to go and take grain from the peasants. As part of this policy they set the poor, almost landless peasants, against the rich peasants, or *kulaks*. When, however, the war was almost over in 1921 the Bolsheviks had to back down-. To encourage agricultural production, they allowed the peasantry free trade and security of tenure.

Lenin had always been an admirer of the way the German war-machine had organised industry. He knew full well that Socialism was out of the question in Russia in 1917. As an immediate measure once the Bolsheviks had gained power, he advocated State capitalism on German lines. By which he meant that capitalist-owned industry should be controlled by the State. A few attempts were made by the Bolsheviks to reach agreement on this with the capitalists but the Civil War forced them into an extreme position. Industry was nationalised without compensation. So were the banks.

The Bolsheviks also faced the problem of re-imposing industrial discipline which had broken down under the Provisional Government, not without the encouragement of the Bolsheviks. They had supported the anarcho-syndicalist slogan of “workers control” and had urged the workers to take over and run the factories where they worked. Once in power themselves they took a different view and did their best to replace “workers control” by State control; they went even further and tried to impose “one-man management” Even the Bolshevik-dominated trade unions protested at this. During the Civil War the working class was subject to military discipline: labour

books were introduced for all workers in 1919, and “labour desertion” became an offence. Some debate went on in the Bolshevik party over the relations of the unions to the State. All the participants were agreed on one point: that the role of the unions was different in a State run by a “socialist” party than under capitalism; they should strive for labour discipline and higher productivity. Only the Mensheviks and anarchists challenged this view. The Mensheviks, who refused to recognise the rule of the Bolsheviks as that of the working class, said that as the revolution was, and could only be, a bourgeois one the unions should keep their traditional role and independence of the State.

The period from 1918 to 1921 is known as “war communism”. It is clear that if it had not been for the Civil War the Bolsheviks would have acted in 1918 as they did after the introduction of the “New Economic Policy” in 1921. In any event, they seemed to have believed that the course on which the Civil War forced them was towards the immediate realisation of Socialism, as both Lenin and Zinoviev later admitted. For instance, during this period there was a galloping inflation so that money was little used and workers were paid in kind. This, the Bolsheviks theoreticians argued, was a prelude to an eventual moneyless society. Some went so far as to welcome the inflation as the beginning of the end of money, so what did it matter if the rouble was worthless!

The end of the Civil War soon brought the Bolshevik government face to face with social reality, and a halt was called to these policies. Lenin introduced the New Economic Policy and returned to the theme of State capitalism. The changes which NEP involved were far-reaching :

- + The nationalised industries ceased to be run as government departments and were told to fend for themselves as independent concerns on strict commercial-accounting principles, aiming to make a profit.
- + Some of the smaller nationalised industries were handed back to their former owners or to co-operatives .
- + The peasants were, as we saw, given the right to sell their surpluses.
- + Steps were taken to balance the budget and get a stable currency based on gold. The State Bank (Gosbank) set up in November 1921 pursued a conservative financial policy.
- + A State loan was floated in 1922.

In other words, the Bolshevik government was trying to establish the political, economic and financial conditions in which capitalist industry could flourish. The larger industries were state capitalist trusts; the smaller industries and agriculture were in private hands; commerce in the hands of co-operatives and licensed (and unlicensed) private traders known as *nepmen*. By now, many Bolsheviks were becoming disillusioned (including, it can be argued, Lenin himself). Opposition groups appeared denouncing the growing state capitalism and the emergence of a new privileged bureaucracy.

At this time the Bolsheviks never claimed that the nationalised industries were

examples of Socialism. As people with at least some understanding of Marxism they knew that Socialism was a complete system of society and that bits of it could not exist inside capitalism. Where they did use “socialist” they meant it in a political sense: that the party of the working class controlled political power. But this of course was not true either. While it is true that in order to abolish capitalism the working class must organise itself into a political party, in no sense was the Bolshevik party the working class of Russia organised for Socialism. They only claimed to be the vanguard of the working class and, according to Trotsky, only had 240,000 members at the time they came to power. It is true again that many of the members of the Bolshevik Party were well-versed in the literature of Marxism and knew what socialism meant. But this was true also of the Social Democratic parties of the rest of Europe and was not sufficient to make them the working class organised for Socialism. The Bolsheviks sought, and got, the support for their seizure of power not on a Socialist programme. As we saw, they also did have a reform programme, and those who supported them in November 1917 did not really want or understand Socialism; what had attracted them were the various slogans the Bolsheviks had advanced, such as “All Power to the Soviets!”, “Peace, Bread and Land!” and “Workers Control!”.

When they realised that they were wrong in having believed the world socialist revolution to have been imminent in 1917, the Bolsheviks saw their task as to develop large-scale production at the expense of petty industry and especially petty agriculture. Thus did material circumstances – the low level of the unproductive forces in Russia – force the Bolshevik government to take the only course open to them: to develop capitalism in Russia. That this took the form of state capitalism is to be explained by the ruthless determination of the Bolsheviks to hold on to power, come what may. This determination did ensure that the emerging private capitalist class in Russia (nepmen, kulaks and wealthy bondholders) never became strong enough, as at one time seemed possible, to oust the Bolshevik government, but at the expense of the leaders of the Bolshevik party and government gradually evolving into a new privileged class, monopolising the means of production and exploiting the working class.

Further Reading

The authoritative scholarly historical work on this period is E. H. Carr, *The Bolshevik Revolution 1917-1923*.

The Russian Revolution

Joel Carmichael, *A Short History of the Russian Revolution*.

P. Sorokin, *Leaves from a Russian Diary* (Kerensky’s secretary).

N. N. Sukhanov, *The Russian Revolution 1917. “A Personal Record”*.

L. Trotsky, *History of the Russian Revolution*.

L. Trotsky, *Lessons of October 1917*.

An Illustrated History of the Russian Revolution (Martin Lawrence, 1928).

The First Years of the Bolshevik Dictatorship

M. Brinton, *The Bolsheviks and Workers Control*.

A. Ciliga, *The Russian Enigma*.
D. and G. Cohn-Bendit, *Obsolete Communism. The Left-Wing Alternative* (Part IV).
K. Kautsky, *The Dictatorship of the Proletariat*.
A. Kollontai, *The Workers Opposition*.
V. I. Lenin, *Last Letters and Articles*.
J. Martov, *The State and the Socialist Revolution*.
I. Mett, *The Kronstadt Commune*.

THE LABOUR THEORY OF VALUE

The next issue of the Education Bulletin, to be published in January next year, will be devoted to the subject of inflation, its theory and mechanics. In preparation for this we publish below an article outlining the Marxian Labour Theory of Value.

The Labour Theory of Value is a theory in the science of political economy (now called economics) to explain how the working class are exploited under capitalism and how capitalist society works.

Capitalism is the stage in the development of human society characterised by class monopoly of the means of production, with wage-labour and commodity-production. Thus to be explained are such phenomena as *wages*, *prices*, and *profits*. The Labour Theory of Value is central to an understanding of the economics of capitalism because capitalism is commodity-production par excellence, and the Labour Theory of Value basically explains what fixes the value of a commodity. At one time there were rival theories of value, but now academic economics tends to deny the need for such a theory. All you need, they say, is a theory of price. We shall see, however, that prices cannot be explained without recourse to the concept of value.

First, some definitions. *Wealth* is anything useful produced by human labour from materials found in nature. In capitalist society, Marx said, wealth takes the form of an immense accumulation of commodities. A *commodity* is an article of wealth produced for the purpose of being exchanged for other articles of wealth. Thus *commodity-production* is an economic system where wealth is produced for sale, for the market. In its simple forms it exists only on the outskirts of non-commodity producing societies where wealth is produced directly for use, either by the producers for themselves or by a subject class for their masters. In the beginning commodities were bartered, but as commodity-production developed one commodity came to assume a special role: it became the universal equivalent, for which all commodities could be exchanged and vice versa; it became, in short, *money* (as we shall see in the next issue, you cannot begin to understand modern monetary phenomena without first grasping this commodity origin of money).. Here we have a problem for the science of political economy: what determines the proportions in which commodities exchange one for the other?

One conclusion we can draw from the fact that commodities consistently exchange for

one another in fixed ratios is that all commodities must share some common characteristic to a greater or lesser degree. What? As articles of wealth all commodities share two characteristics: they are *useful* and they are *products of human labour*. Which of these could provide a standard? Some have suggested usefulness (or utility), but the trouble here is that the same article can be useful to a greater or lesser degree to a different person. Usefulness is a personal matter: a personal relation between the commodity and its consumer. So utility would be a changing; subjective standard and could not explain why commodities consistently exchange at stable ratios. We are thus left with commodities as products of human labour.

Unlike usefulness the amount of labour embodied in a commodity can be objectively measured : by how long it took to make it, for instance. However, all wealth, not just commodities, shares this characteristic of being products of human labour. What we want to know is how do commodities differ from other forms of wealth. Wealth, we know, only takes the form of commodities under certain social conditions, specifically when it is produced for sale. Similarly with *labour* (used-up human energy. Cf. “work“ in engineering); under the same social conditions it becomes “*value*”. Thus value is not something you can find in the physical or chemical properties of a commodity, for it is a social property, a social relation. However, as value only expresses itself in exchange, as *exchange-value*, this social relation appears as a relation between things. This is what is behind Marx’s writing about the “fetishism of commodities”. *Price* is the monetary expression of value.

Labour, says the Labour Theory of Value, is the basis of value. But how does labour determine the value of a commodity? The value of a commodity, said Marx, is determined by the amount of *socially necessary* labour contained in it or, what is the same thing, by the amount of socially necessary labour-time spent in producing it from start to finish. Note that the Labour Theory of Value does not say that the value of a commodity is determined by the actual amount of labour contained in it. That would mean that an inefficient worker would create more value than an efficient worker. By socially necessary is meant the amount needed to produce, and reproduce, a commodity under average working conditions, e.g. average productivity, average intensity of labour. For instance, in the British coal industry the average output is about 40 cwts. and there are a little under 300 pits. In some of these output per shift will be above 40 cwts. and in others below, but the value of the coal is not fixed by the labour of the workers at pits of either sort. Its value is the social average brought out by the market. This means of course that what is socially necessary is continually changing.

Under capitalism nearly everything is a commodity, *or* takes the form of a commodity, is bought and sold. This qualification is necessary to counter the argument often advanced against the Labour Theory of Value that some things that are bought and sold either are not products of labour or sell at prices quite out of proportion to the amount of labour embodied in them, e.g. land and objects of art. Land, under capitalism, has a price which, in its pure form, is merely the capitalisation of its rent. Land has no value as it is not the product of human labour. Paintings and antiques are indeed products of human labour but are not really commodities because they cannot

be reproduced; the concept of “socially necessary labour” therefore has no meaning with reference to such articles. One silly objection is: why is a lump of gold from a meteorite valuable, when there is no labour embodied in it? Actually, this is a confirmation of the Labour Theory of Value since its value is the same as that of gold produced under normal conditions. If gold were to regularly fall from the skies then its value would drop to what is needed to collect it.

Another thing that under capitalism takes the form of a commodity is *labour-power* (the ability of human beings to work, human energy). Indeed this fact is the basis of capitalism since it presupposes the separation of the producers from the ownership and control of the means and instruments for producing wealth. But there is one very important difference between labour-power and other commodities. labour-power is embodied in human beings who can think, act and struggle to get the best price for what they are selling. Otherwise its value is fixed in the same way as that of other commodities: by the amount of socially necessary labour spent on creating it and recreating it. The labour spent on creating a man’s labour power is that spent in producing the food, clothing, shelter and the other things needed to keep him in a fit state to work. Thus the value of an unskilled man’s labour-power is equal to about enough to keep him and his family alive and working. Skilled men get more because it costs more labour to produce and maintain their skills. When the worker finds an employer he is paid a *wage*, which is the price he is paid for allowing the employer to use his labour power for, say, 8 hours. Wages, then, are a special kind of price; they are the monetary expression of the value of labour-power. This is why you will never understand wages if you think of them as “the reward of labour” or “the product of labour”.

Labour-power has a peculiar characteristic. Because wealth can only be produced by human beings applying their mental and physical energies to materials found in nature and because labour (= the expending of labour-power) is the basis of value, labour-power has the property of being able to produce and create new value. Let us assume that our worker’s labour-power is worth 4 hours labour a day. After he has worked 4 hours does he stop? Of course not. Under his contract he must work for another 4. Since he is working in his employers’ place, with his employers’ tools, machinery and raw materials anything he produces belongs to his employer. Thus, in this case, the employer gets 4 hours free labour. This is the source of his *profit*, which he shares with his creditors as *interest* and with his landlord as (ground) *rent* (and with the State as taxes). So the source of all Rent, Interest and Profit is the *unpaid labour* of the working class.

Let us look into this process of exploitation a little closer. The first point to notice is that it takes place *at the point of production*. Workers are exploited at work. When a worker receives his wage (or salary, another name for the price of labour power) he has already been exploited. He cannot therefore be exploited again by moneylenders or shopkeepers or landlords or taxmen (though of course they can rob and cheat him,

and he them, but that's a different matter). So-called secondary exploitation is a myth.

For Marx *capital*, like value, is not a thing but a social relation; indeed it is value or rather a collection of values. Only under certain social conditions do the means of production become capital, specifically, when they are used to exploit wage-labour for surplus value. Thus we find Marx describing the process of capital accumulation as the “self-expansion of value”. Capital, in its pure form, is *money-capital*. A capitalist invests his capital, say, in producing cotton textiles. He must advance his capital to buy a factory, textile machinery, raw cotton, etc, and also to buy labour-power. His capital can be divided into categories. *Fixed* capital is the buildings and machinery that are not consumed entirely in the production process; *circulating* capital is the raw materials and labour power that are. More significant from the socialist point of view is the division into constant and variable capital. *Constant* capital is that invested in the buildings, machinery and raw materials. In the process of production their value, or a part of their value, is only transferred to the finished product. *Variable* capital is that invested in labour-power and is so called because this is the part of capital that expands. Labour-power not only transfers its own value and is instrumental in transferring that of the constant capital, but it also creates new value. We see then, that machines do not create value. All they do, and this only when set in motion by human beings, is transfer part of their own value (itself of course a past creation of the work of human beings) to the finished product. Even capitalist accountants recognise this: the part of the cost of a commodity they put down to depreciation is to cover the value transferred from the buildings and machinery.

We saw earlier that part of the working day is spent in producing the equivalent of the labour-power used up, and the rest in producing *surplus value* for the capitalist. The first part of the working day Marx called *necessary labour* (not to be confused with “socially necessary labour”) and the second *surplus labour*. We are speaking here in terms of parts of the day. This is not to be taken literally otherwise you make the mistake of the economist in Marx's day who opposed the Ten Hour Bill to limit the working day on the grounds that all the profit was made in the last hour! In fact, surplus value is produced each moment the worker is at work.

It is obviously in the interest of the capitalist to increase the proportion of surplus to necessary labour. Marx called the ratio, which is the same as the ratio of surplus value to variable capital, the *rate of surplus value*⁴, or rate of exploitation (s/v). There are two ways the capitalist can do this. He can prolong the working day, the extra surplus value so produced being *absolute surplus value*. But this of course has its limits. The alternative is to lessen the necessary labour by intensifying work or cheapening the value of labour-power, which results in *relative surplus value*.

How do the complications of capitalist production affect the value of a commodity? The value of each unit of cotton textiles turned out will be made up of the value of the raw materials, the value of the machinery transferred, the value of the labour power

⁴ At least he did in *Capital*. Note that in *Value, Price and Profit*, a popular exposition of economics he gave to a meeting of the First International, he calls this ration “the rate of profit”, a term to which, as we shall see, he gave a different meaning in *Capital*.

and the surplus value, or the commodity's value = $c + v + s$, where c is the part of the total constant capital (C) transferred to the product. The *rate of profit* is $S/(C + V)$.

The value of a commodity is fixed by the amount of socially necessary labour embodied in it from start to finish, not just in the final stage of its production. Thus it is inaccurate to say that agricultural workers produce food or that car workers produce cars. Production under capitalism is a social process in which all workers take part. An important corollary of this is: the capitalist class as a whole exploits the working class as a whole. The worker is not exploited just by his particular employer, but by the whole class of capitalists.

It may come as a surprise, after all that has been said about commodities exchanging in fixed proportions according to their values, to be told that under capitalism commodities do not sell at their values. But this is in fact the case. This is why it is important to understand that the Labour Theory of Value is not a mere theory of price. There are two simple reasons why price and value can differ: prices fluctuate with supply and demand, and, with monopoly, a commodity will sell at above its value (or, with subsidies, below its value). The third reason is more complicated but must be grasped if you want to understand the observable workings of capitalism, e.g. what is behind the pricing policies of businesses. Those who decide on prices, don't know what the value is, and don't need to. What do they act on, then?

We saw that the capital advanced can be divided into constant and variable and that it is only the variable capital that increases to create the surplus value. The ratio C/V Marx called the *organic composition of capital*. Given the same rate of exploitation (s/v) in all industries, if all commodities sold at their value this would mean that the highest rates of profit should be made in the technically backward, labour-intensive industries. But is this so? Not at all; the tendency is rather for capital to get more or less the same rate of profit wherever it is invested.

How to reconcile a labour theory of value with the averaging of profits was a problem that baffled Adam Smith and Ricardo. But Marx solved it in the only way possible: by abandoning the assumption that all commodities sell at their values. Critics have called this the "great contradiction" in Marx's work, but it is nothing of the sort. As we have seen capitalist production and circulation is a social process: each individual capitalist does not exploit only his own employees but the whole capitalist class exploits the whole working class. Each capitalist employs so many workers who produce so much surplus value. Instead of going to the individual capitalist this surplus value goes, as it were, into a pool from which it is shared along with the rest of the surplus value amongst all the capitalists in accordance with how much capital they have invested. (This explains why, incidentally, a fully automated factory would still make a profit.)

Consider the consequences of this on prices. Say s/v is 100 per cent and that there are three sectors with different organic compositions:

	C	V	S	value	rate of profit
A	80	20	20	120	20%

B	40	60	60	160	60%
C	60	40	40	140	40%

With no averaging of profits B is the most profitable sector, but with an averaging we get:

	C	V	S	profit	value	price	
A	80	20	20	40	120	140	above value
B	40	60	60	40	160	140	below value
C	60	40	40	40	140	140	at value

Marx called this selling price, which is made up of cost plus average rate of profit, the *price of production*. This, in fact, is how businesses do operate and is regarded by academic economics (who, as Marx pointed out, merely take a businessman's view of economic events) as enough. But it is not. It is all very well talking airily about price being set at cost plus "normal profit". But what is normal profit? Something fixed by custom! This is only what it appears to be. Only the Labour Theory of Value, with its concept of value and surplus value, based on labour, can adequately explain why the "normal" rate of profit is, say, 10 per cent rather than 15 per cent.

So Socialists do not argue that commodities sell at their values (only those in industries with the average composition of capital do). But what we do say is that it is not possible to explain prices without recourse to value.