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8

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International Council Correspondence

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This magazine, published by the Groups of Council Communists, consciously opposes all forms of sectarianism. The sectarian confuses the interest of his group, whether it is a party or a union, with the interest of the class. It is our purpose to discover the actual proletarian tendencies in their backward organizational and theoretical forms; to effect a discussion of them beyond the boundaries of their organizations and the current dogmatics; to facilitate their fusion into unified action; and thus to help them achieve real significance.

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SECURITY WITH 403's

WHAT YOU OUGHT TO KNOW ABOUT RELIEF AND WPA

We are the worthless ones, the lazy ones, the corrupted ones. We are the chiselers, we who enjoy the luxury of relief diets. We are the careerists, who rest on shovels all day long, who never want to give up the paradise of WPA. We are too lazy, unless we are stimulated with 30 day layoffs, to look for work. We have been growing fat on a budget that is 35% underweight, so now we must labor 30 hours a month. We are the reason for the depression; without us the National Budget would be balanced, the government, and the landlords, and the businessmen would be very happy. Since we took the pauper's oaths to take relief and the errand-boy wages we get on WPA, we must also take these slanders, of which the New Deal has a far greater surplus than the so-called food which is supposed to balance our budgets.

Yet, back in 1933, we did not suffer these insults, we were then the forgotten men to whom Roosevelt promised pre-depression security. The Democratic politicians offered the workers in exchange for their support, a program which would be a new deal, which would consider not only the profits of the few, but the welfare of the many. You suddenly had a "right to work," and a "right to relief" — when work was not around.

THE DREAM WAS SHORT

They gave you work-relief. But — with all the high-sounding security propaganda — you were working, that is some of you, for less than \$55 a month in some parts of the country, and for less than \$26 in other parts. However, it was "better than nothing," and you were still quite sure that you

would not be forever on WPA. Some day you would be able to land a real job, with real pay.

And into the relief-business, "order" was brought in. A real relief budget was figured out for you — by people who were sure never to be in need of relief. The budgets were different in various sections of the country. But they were all alike in so far as none allowed enough to live on. The lowest meant about \$10 a month, the highest about \$40 a month for a family with a few kids. Rent had to be paid from this, gas, light, clothing and often water.

O yes, there are real budgets; however, the budget itself gets leaner and leaner. They gave you, for instance, in Illinois, 95% of the budget figured on "basic needs." They cut it down to 85%, then to 75%, then to 65%, and now they announce they will cut it to 55%. You have the budget, but less to eat than before. To this budget, which you never get, "surplus commodities" are added with a generous flourish. They turn out to be a substitute for real relief, for cash relief. They give you flour, but you don't have fuel, or often not even a stove, with which to bake. They give you butter which melts under your fingers and stinks into your nostrils, for you don't have the ice to prevent it from rotting away. They give you some eggs which often smell no better, and serve you oranges without juice so that your kids may have something to play with in the alleys. And even of these inferior commodities you do not get enough. What is supposed to last you two weeks is gone in three days.

You are supposed to pay rent which has been calculated into the budget. But 35% of the budget, is left in the relief treasury, and you still must pay rent out of what you do get. You can't afford to stall the landlord, for if you are evicted you have a hard time to find another hole to park your belongings, for people on relief are not wanted. You use almost the whole relief you get to pay the landlord, to keep a roof over your head, and you starve yourself slowly but surely with the meager remainder of the relief allotment.

THE WONDERS OF WPA

The WPA workers have so far fared little better, and with new attacks upon the "living standards" of all who must have government aid in order to exist, their lot gets worse and worse. When we on WPA were at one time employed in private industry, we averaged between \$25 and \$50 a week. But today the security wage scale in Illinois, for instance, varies from \$13 to \$23 a week. Just as there is little security in the wages, there is little security in the job itself. There are unexpected shifts from one place of work to another; many workers, laid off, do not know when they will ever be called again, or what sort of work they will be needed for. Thousands of workers are thus shuttled around from one project to another, and overnight projects are discarded for "lack of funds," throwing thousands out of work, back to the greater misery of the relief budget.

Silent and patient, those on relief and WPA have taken cut after cut, lay off after lay off. As long as we could just hold on. Things have to change... they must change...

They have changed — sharply and critically, for the worse. The New Deal, Congress, the President, which the unions and the *Workers Alliance* said would take care of us, have clearly defined what they mean when they speak of social security, government economy, balancing the budget. What they mean is explained by the WPA bill made law by the last Congress. What they mean is made clear by new state laws revising the administration of relief.

The WPA bill cut down money for WPA by one-third. This forces the firing of one million WPA workers. The skilled WPA workers, who in exchange for the support of their unions, had previously the benefit of shorter hours, so that the hourly rate was higher for them than for the unskilled workers. Now they must work 130 hours a month, the same as anyone else. The most they can get under the new system is 73.33 cents an hour, far below the union hourly rate. The masses of unskilled workers are given a wallop in the stomach by another provision of the bill. This one is intended to level out regional differences in wages. Those of us in the North will be cut, those in the South are supposed to be raised. The result will be a much lower average rate for the entire country.

Most important of all provisions in the new law, is the one which lays off every one of use on WPA who has been on it for 18 months. Called the anti-careerist law, it affects none of those government bosses who do make a career of WPA: the fat-salaried administrators, supervisors, politicians. But those of us who are accused of having the idiotic wish to hold a \$13 week job all their lives, will now be driven into the streets, supposedly to seek private jobs. After 30 days of being entirely without an income, they will not be rehired but must apply again, and wait together with the millions of others already on relief, already certified for WPA employment. They will get no new jobs, they will get only the old relief-station run-around. All that is accomplished is the cheating out of weeks and even months of relief for those laid off.

To sum up the whole situation: Millions of us on WPA will be fired and are now being fired. For those still on the projects, their hours are lengthened, their wages cut. Those of us on relief are affected by the new state relief laws. In Illinois, we must give 30 hours a month work, theoretically at 50 cents an hour, doing whatever labor the government asks of us. But the budget-business comes up. The joker is, this is not an extra \$15 that we earn. This money is deducted from the slashed up budget that we have. In short we get nothing, but we are forced, under threat of complete starvation, to give the government 30 hours work, for being permitted to live. And the type of work? What a wonderful thing it will be, for the government to have strike-breakers so cheaply!

WHY DO THESE THINGS HAPPEN?

Why can't something be done about this increasing misery which gets harder and harder to bear? Something can be done, say the union leaders and the politicians. Put the right people in the government, and we will intercede for you. Something can be done, says the *Workers Alliance*. Pay us dues, and we will collar the congressmen, which we told you to elect, in the lobbies of Washington. You listened to all of them. You helped to elect the Democratic administration twice. They made glorious promises in 1932, because they were afraid of you. They were afraid because there were millions of you out of work, millions of you so driven to despair that you made trouble, you were restless, hundreds of thousands of you milled in maddened throngs around the city halls and capitols, shouting for relief and work. There were far too many of you — and they lost control over you. So they had to pacify you, and in telling you what you wanted to hear, they used you. Programs were offered, slogans invented in order to get the masses behind the Democratic Party and the New Deal. The WPA came, and the change from charity to relief, because your support was needed to put an end to the chaos of 1933, to secure and re-organize society for further profit production.

But when profits dropped again in 1937, when the new depression got suddenly worse, when the government found its spending money on relief and projects, didn't really help to keep profits up for good, it decided, like all previous governments, that it no longer paid to throw its money away on cheap human lives. It resorted to the old wage cutting methods, and you see what happens to your social security on relief and WPA.

And not only are *your* wages cut. The workers everywhere are forced to take a wage cut, so that the bosses may keep their profits. To bring wages down, to make the workers slave harder, the weapon of unemployment has to be used to make the workers submit. But they have to be made afraid not only of losing their jobs, but also afraid of relief and of WPA. So they make unemployment worse than it already is. To cut wages then, means to cut the wages of WPA workers also. To cut WPA wages, implies the cutting of relief as well. This in turn means savings for the capitalists as it reduces government expenditures. It means higher profits, or at least permits them to hold on to what they have. You suffer so that the rich may keep what they have.

DIVIDE AND RULE

Though each attack upon the conditions of work or the workers standard of living is eventually directed against the whole of the working class, nevertheless, at first, groups of workers are singled out to prevent the erection of a class line of defense. For instance, today, the authorities claim that the wage rates in the building industry are too high, and prevent a real business revival. To help bring down those wages, the skilled WPA workers are attacked first. And so only a selected group of WPA workers struck back, and was defeated

at the start, for they remained isolated. The rest of the workers did not see that after the defeat of this group another will be picked for wage cuts, and that, in the long run, all wages will have been reduced.

The relief authorities are just as clever. Each state has its own relief rules, often even each city handles the relief business in its own separate manner. Relief will be cut here and there, not everywhere at once. The defense of the workers is broken up in a number of small insignificant skirmishes. When, for instance, cash relief was introduced in St. Louis, the amount to be given was reduced at the same time. The Chicago relief authorities waited some weeks to watch developments in St. Louis. The isolated relief clients in St. Louis did not find the nerve to object. Then relief was also cut in Chicago. At the conference of relief officials which made the decision it was happily pointed out that the situation in St. Louis proved that it is possible to cut relief without any trouble if only accompanied with some new features appearing reasonable to the clients. If success accompanies the trial action somewhere, the authorities proceed to act at the next place, later to return again to the first. In the long run all are taken care of.

These methods are age-old and proven. And if the workers do not learn to see that an injury to one is an injury to all, if they are not able to establish at each attack upon them a broad front of defense incorporating hundreds of thousands of workers, it is difficult to see how they could ever win their battles.

AND YOUR ORGANIZATIONS?

But what are your organizations, your unions, your parties, your *Workers Alliance*, doing to defend your interests against the government attacks? They have lobbied in Washington ever since their man — Roosevelt — was elected President. They have succeeded to pay their leaders and organizers substantial salaries, but their lobbying did not prevent the passing of the WPA laws under which you now suffer. They could not make undone the reductions of relief appropriations. They turned out to have served not you, but those who do now attack you openly. All they ever did was ask for your dues, call you to silly demonstrations before state and city legislatures, demand the writing of post-cards filled with slogans to the different authorities. They have not established the workers solidarity which is so much in need. They were not even interested in preparing you for the struggles you are now facing. They were only interested in the future of certain political parties, certain groups of union bureaucrats, they were only interested in the organizers, not the organized.

It is no wonder then, that these organizations have nothing to say to you at the present crisis. Certainly they do protest against the new relief and WPA measures, but they do no more. They do not want to do more, they could not do more, even if they wanted to.

The unions, which now protest against the doing away of the prevailing wage scale, have neither the power nor the will, to back up their words with

action. The union officials know quite well that in times of depression and large-scale unemployment they cannot operate against, — but only with the government. And what the union leaders know, the other labor leaders know quite as well. Under conditions as they are, they prefer to swim with the stream. Interested only in group problems, engaged only in serving their own organizations and their bureaucracies, they cannot be interested in establishing a front of struggle strong enough to force the authorities to reconsider their present decisions. They hope for some compromise solution, for some bargain, through which the most immediate interests of the unions in question are protected. They are engaged in political horse-trading, not in the struggle of the unemployed.

When Roosevelt announced that there can be no strikes on WPA, as there can be no strikes against the government, William Green hurried to state that the settlement of the issue "lies with Congress rather than through strikes on WPA projects." John L. Lewis, too, came out against the strike and said he was in favor of amending the Relief Act by legislative means. The *Workers Alliance*, incorporating unemployed and WPA workers, declared repeatedly that "We have not called any strike and are not now calling strikes of WPA workers." They are also taking steps to appeal to the President.

At a moment when in many cities, like in Minneapolis, workers battle in the streets against the present WPA policies, when workers march out of projects and declare strikes, not one organization took up the case of the workers, nor attempted to help them win their demands. The *Workers Alliance* tried to wiggle itself out of the situation by advising not to strike but only to protest the provisions of the WPA bill. The *Chicago Daily Record* of July 18th, speaking for both the *Workers Alliance* and the *Communist Party*, even now tries to help these very same people which are responsible for the new policies. At a time, when thousands of workers were thrown out on the streets, this paper wrote:

"WPA workers can note today some progress in their battle for decency and justice. True to its course, the New Deal has taken up the cudgels for revision of the un-American Woodrum Act (the WPA bill)... The New Deal Congressmen... are doing all in their power to remedy the injustices that have been committed by the Hoover-Garner gang. Every unit of the labor and progressive movements is now compelled to extra energy in support of what the New Deal is attempting to accomplish."

For a time the capitalist propaganda hammers against the "errors" of the New Deal. It has its purpose. The fiercer the attack upon the New Deal, the easier it is for the New Deal politicians, to change their policy in the direction of greater wage cuts. Apparently pressed against their will to do so, they may attack the workers without having to sacrifice their useful popularity among them. The trust of the great masses, though already waning, is still great enough to serve the Administration. As long as it is possible to make the masses believe that Roosevelt is still fighting their battle, they may be induced to hope that after all, and despite all temporary setbacks, he might be bound to win. Even Joe Louis has hit the canvas.

The swindle of the *Communist Party* and the *Workers Alliance* that only the "reactionaries" are responsible for the unpopular acts of the government, serves the present Administration well in its attempt to make the masses kiss the hand which hits them. This attitude on the part of these organizations is practically scabbing against the striking WPA workers, and sabotage of the defense of the unemployed against relief reductions. Among your enemies today are not only both the reactionaries and the New Dealers, but also the New Deal supporters in your own ranks. To fight, then, against the new measurements and to have a chance to win the fight, most of all it is necessary to recognize the fact that you cannot strike and win with the existing labor organizations, but only against them.

WHAT IS TO BE DONE?

Perhaps those labor leaders are so reluctant to enter your struggle, or help you to win your demands, because they may know that such a fight will be without success. Maybe they think that your demands cannot be granted, that your power is not sufficient to enforce anything, that you better submit not to be worse off than you are now?

The truth of the matter is, however, that they consider themselves already as part of the law making machine, that they are politicians thinking in terms of politicians. They do not even want anything that cannot be gotten in the approved legalistic ways. They must get something for you, so that you may recognize their importance to you. They cannot stand the very thought, that you may gain something through your own efforts, for this would reveal their superfluity. Whatever you get, you have to get it through them or not at all.

You exchange your vote with your alderman's small favors. The politicians and labor leaders want your support for their own purposes as politicians and labor leaders, they need something to give you in exchange. The bargain would be ended if you should need them no longer. They must prevent real action on your part to satisfy their own interests. And because, at present, it is not possible to get results through the medium of your politicians, you get no results at all, you are left alone. And when you are not left alone, you are prevented from doing something for yourself.

Whatever is produced in society by the workers is divided, one part to the capitalists, another to the workres, another to all the parasitic elements lingering between capital and labor. The order in which the national product is distributed is determined by the strength of each group participating. Whatever there might be, much or little, there are many possible ways of distribution. If you struggle hard enough you may succeed to force the capitalist's to sacrifice part of their share in order to keep you quite for a while. If you don't fight for a greater share, or to keep the one you have, the capitalists will attempt to and succeed in diminishing it. All depends on what you are doing.

Your present situation is nothing really new. There were relief crise before, there were interruptions and changes in the works program before. But

sometimes you did succeed to hinder the carrying out of new and adverse policies on the part of the authorities. In 1933, in Chicago, for example, the relief authorities tried to make a cut of about 50% in relief. At that time there existed enough opposition in you and in the labor organizations which were not as completely under the sway of capitalistic forces as they are today. Thousands and thousands of you marched down to city hall, you flooded the business sections of the city with your misery, you stopped everything with the demonstration of your plight. You rebelled at each relief station against the treatment given to you. There were too many of you to be driven back by mere brute force. There was not enough involved for the authorities to provoke a real battle. You succeeded to change the relief order within 24 hours, you forced them to take the cut back.

What was then possible is still possible today. But you must be just as militant as you were then. It is more difficult today, because the authorities have learned to handle you better, and because your labor leaders and your political organizations will oppose such actions today with no less vigor than the relief authorities themselves. Such powerful demonstrations, such direct action, has to come now by virtue of your own initiative. You must bring them about! No one will help you; you must help yourself!

As there exists today no organization ready to fight with you, you must create your own organization to muster the greatest force possible, for your enemies are many and they are very powerful. You cannot win anything unless you create a power equal to theirs. Or at least strong enough to force them to concessions to avoid a struggle. It is not difficult to build such organizations. You only must have the will to do so. You do not need at all to bother about elections, officers, rules of order, dues and meeting places. Each relief station is already an organization. Each WPA project is an organization. You only have to speak to your fellow workers, council with them, arrange things with them, elect out of your own ranks committees of action, your own leadership.

Your acting as your own leadership will have the very good effect of concentrating your fight to one for your demands only. Stick to questions which deal with problems affecting you, and you alone. The government wants to level all wages, make them all equal. Very well, we must fight then to raise all wages to the level of the highest. At least, this is the surest way of preventing them from being cut. We must get all relievers to refuse to work for nothing. More, we must struggle not only for the restoration of the full budget, but for an increase over the original budget.

How can we effect the recognition of our demands from the government? By going directly to the relief stations, but no longer in the old submissive way. Right now they let you come down to the relief stations once a month. Let us go there from now on every single day. Embarrass the authorities with your misery. We must make the government listen to what we have to say. To do this, we don't have to go to Washington and Springfield. The government has its eyes and ears much closer to us, right in our neighborhoods, in the relief stations themselves.

They will not be able to keep us away from the stations if we come in sufficient numbers and proceed to all stations. Our coming everyday will be very disturbing to the supervisors, it will force them to promise action on our demands. But after we receive these promises, we must redouble our activity, to forestall the run-around they surely will have in mind to give us. From our friends and those who are fighting with us, we must elect flying squadrons to go to other relief stations which are not as yet incorporated in the general activity. Groups of us, of the unemployed and fired WPA workers, must go around to the different projects and start talking to those still working, to interest them in our struggle, to make them go along. Delegations at different relief stations can call together a house-of-delegates where representatives of relief stations and WPA projects can meet to decide on further and coordinated action.

Organize once more the prevention of eviction for non-payment of rents. Eat up your rent money, first fill your belly before you hand over a nickel to anybody else. They cannot evict a hundred thousand relief families, they cannot do it as it would cost them more than would the restoration of the budget. And most of all start thinking yourself about ways and means to get the unemployed and WPA workers acting together. Think of ways and means to develop the organized strength necessary to enforce your wishes. Listen to your fellow workers as you talk to them, make sure that those who suggest one way or another, are sharing your plight, leading your life, are in the same need as you are. Don't listen to anybody, never elect anybody in any council, who is not on relief, who is not exploited on WPA. Ignore all the professional labor leaders and politicians. They cannot help you, they will not help you. Listen only to the voice of your own necessities.

We can here only say to you that it is possible to better your life, and that to do so is your own job. We can here assure you only of one thing, that is, that you will get nothing but further misery unless you take your fate into your own hands. It is up to you, by intensive labor and great energy, to form out of all relief stations an organizational network capable of arousing great masses for common actions. It is up to you to build these organizations. Before you have built them you will not be able to do anything — after you have built them you have a weapon in your hands with which to start to battle. Unless you begin today with this work, as outlined here and as it will be elaborated and modified through your practical experiences, you will have to swallow the bitter pill of further cuts and greater exploitation. Don't wait for anybody's help, simply get going. You are the power!

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ON THE ECONOMIC THEORY OF SOCIALISM

Last year, under the title that heads this review, the University of Minnesota* published a book which, besides a paper on *The Guidance of Production in a Socialist State* by the late Professor Fred M. Taylor, presented, with a lengthy introduction by Benjamin E. Lippincott, Dr. Oscar Lange's contribution to the economic theory of socialism. This paper has met with wide acclaim and has received a great number of favorable reviews in scientific and popular journals.

Lange's theories deal with a society where the means of production are controlled by the government; where, in the words of Professor Taylor, "the state maintains exchange relations with its citizens, buying their productive services with money and selling to them the commodities which it produces** (43)." He deals with a "socialist society in the classical sense." Dr. Lippincott informs us, which "socializes production alone, as contrasted with communism, which socializes both production and consumption (9)."

Whatever made this concept of socialism "classical" we will not now inquire; however, it does seem to us that the assumption of a system based on two divergent principles in the two economic spheres is possible only as theoretical blueprint, while in reality both production and distribution of necessity follow the same economic principle. "The distribution of the means of consumption at any period is merely the consequence of the distribution of the conditions of production themselves***" One cannot socialize the one without socializing the other.

**On the Economic Theory of Socialism. Government Control of the Economic Order. Vol. 2. Minneapolis 1938. (143 pp.: \$1.75)*

**All figures in parenthesis refer to pages of the book under discussion.

***K. Marx, *Critique of the Gotha Programme. New York 1933, p. 32.*

The main characteristics of the conditions of production consist in the separation of the workers from the means of production, by a complicated order of social control which permeates the whole socio-economic system of production and consumption. Its fundamental relationship is the wage contract and its final sanction the police and military power at the disposal of the controllers of the means of production. This system of class control, once it exists, can, until it is overthrown, only reproduce itself, — unless one is to assume that out of ethical considerations the class controlling the means of production eliminates of its own accord its privileges bound up with its control position, i. e., eliminates itself as a class, and, with that, eliminates also the form of production which divorces the workers from the means of production. Unless one believes that socialism will be handed down to the workers by the authorities, he must, if he wishes to remain realistic, admit that with the state control of the means of production and with labor power as the only saleable possession of the workers, the distribution in society will reflect this class relation in production, as it does in Russia, and as it continues to do in fascist, and democratic countries.

Economic capital-labor relations have their basis in existing class relations. Because of this class relation, the means of production appear today as constant capital, and labor power as variable capital. Because of this class relation, there exist all the categories with which the economists work today. All concepts such as value, price, money, rent, interest, factors of production, etc., belong to present-day society and cannot be transferred to another societal form. However, by regarding "socialism" as no more than the extreme concentration and centralization of the means of production in the hands of the State, Lange can

develop only a theory of "socialism" of which it is possible for Dr. Lippincott to say that it demonstrates that "the main theories of the capitalist orthodox economists would apply equally well to a capitalist and a socialist economy." It may even be considered, he continues, "whether socialist institutions might permit a closer approximation to the capitalist economists ideal economy; as theoretically this would certainly be the case (7)".

Lange deals with problems which are the exclusive property of a commodity producing society, problems which depend upon the rule of commodity fetishism, a rule which he doesn't want to end but only to set free of some of its earlier and now seemingly obsolete characteristics. When he speaks of "socialism," he, though he may not realize it, is actually advocating the emancipation of capitalism, for he wants merely to continue by conscious interferences in the economic mechanism what this mechanism can no longer sufficiently perform alone. In his opinion, "Only a socialist economy can fully satisfy the claim made by many economists with regard to the achievements of free competition (107)."

Lange introduces his paper with an ironical tribute to Professor Mises, of whom it is said that his critique of socialism**** did more to further the cause of his adversaries, because he "forced the socialists to recognize the importance of an adequate system of economic accounting to guide the allocation of resources in a socialist economy (57)." By "allocation of resources" is meant making the most effective use of raw materials, instruments of labor, and labor power.

Marx and Engels* have considered it a simple matter for society to compute the number of hours of labor concealed in the products and services. They maintained that there are no economic or other reasons why a socialist society should express

****Ludwig von Mises, *Socialism. New York 1937.*

*See Engel's chapter on Socialism, parts 3 and 4, in his *Anti-Duehring.*

these labor quantities, which it directly knows, in a third product (money). Such a society will therefore ascribe to the products no "value," although it must know how much labor is required for the production of each use object. In the Marxian concept of socialism, there is no market, no value, no price, no money.

However, Marx's references to labor time as an accounting unit and measurement of production, distribution, and reproduction, in so far as measurements are necessary, found little interest in the socialist movement. For the latter, no problem seemed to exist. The socialists looked upon the development of a marketless and moneyless economy as an automatic resultant of state control of production and distribution. The nationalization of industry, the centralization of administration, and the dealing with the products in terms of use values with the aid of statistics, seemed to many a sufficient guaranty for the workability of the new society. Some like O. Neurath, said that the "doctrine of socialist economy knows but a single economist, namely, society, which, without computation of gain and loss whether in metal money or labor money, but on the basis of an economic plan and without the positing of an accounting unit, organizes production and distribution in accordance with socialist principles.***" Others, like O. Leichter,*** professed allegiance to labor-time accounting, but restricted it to production; in regard to distribution, the higher administrative authorities would compute and distribute the individual portions upon the basis of the physiology of nutrition. The majority had no answer going beyond Marx's and Engels' suggestions.

None of these theories, according to Mises, were able to demonstrate the possibility of economic calculation within their systems. In Mises' opinion, only private ownership of

***Wirtschaftsplan und Naturalrechnung, p. 84.*

****Die Wirtschaftsrechnung in der sozialistischen Gesellschaft.*

the means of production and the market mechanism allows for objective standards of national orientation of economy. Without adequate value calculation or substitute for the market mechanism, he argued, a socialist economy is not worthy of consideration.

"Official Marxism" found no answer to this critique. Kautsky, for instance, admitted that he could not see how it would be possible "even with the most enormous and complete statistical apparatus, to evaluate the commodities according to the labor contained in them****" so that labor-time accounting could replace the historically established price system. However, to determine how much labor time has been consumed in the productive process by each single product provides no difficulty for any enterprise, and it is not difficult either to find the **social average labor time** for a single product by combining the data of all enterprises with a different productivity in the same industry, a process which leads to the possibility of a conscious regulation of production and distribution.

The first serious attempt to show that labor-time accounting in the way outlined by Marx and Engels can very well serve a socialist society, was one of the theoretical achievements of a worker's movement which stood in strict opposition to all forms of workers' exploitation, including those forms which appear under the name of "socialism."* With this exception, Lange is quite right in stating that the "writers of the Marxist school were and are quite aware of the necessity of the price system in a socialist economy (141)." "The difference between the traditional Marxist and the modern

****The Labor Revolution. New York 1925 p. 267.

*See "Communist Production and Distribution," *Living Marxism*, No. 4, pp. 109-114. Also "What Communism Really Is", published by the Groups of Council Communists, Chicago 1937. And "Grundprinzipien kommunistischer Produktion und Verteilung. Herausgegeben von der Allgemeinen Arbeiter Union Deutschlands. Berlin 1930.

position on the problem" is then "but a difference as to the technique applied," and in Lange's opinion, "Only the technique provided by the modern method of marginal analysis** enables us to solve the problem satisfactorily (142)."

**In opposition to the objective labor theory of value, the marginal utility theorists constructed a subjective, psychological value concept, which became popular with the bourgeois economists because it seemed to justify existing class and income differentiations. Value and price is here determined by demand. The demand for a commodity is determined by the utility it has for the individual buyer. This utility is largely determined by the scarcity of a commodity or service. The satisfaction from the utilization of an object declines progressively with the greater abundance of the object, till the maximum desire of its user is fulfilled. For example: To a hungry man the first piece of bread possesses the greatest value. If he keeps on eating his hunger will slowly disappear till he is entirely satisfied. Each additional piece of bread means less to him. Finally, whatever bread remains uneaten will at that moment have no value for him. The last piece of bread which he still desires or the "final degree of utility," economists call the "marginal utility." This marginal utility was ascertained by dividing the utility of the final increment by the existing quantity of the final increment. This marginal utility is to determine the exchange values, as the consumers will compare the final degrees of utility of different goods and choose according to their individual needs and desires. Value has here no connection with what the bourgeois economist calls the cost of production. Since demand results not only from primary needs but also from such needs as those set by fashion and advertising, the marginal utility theory became of importance to capitalists attempting to influence demand in the interest of profits.

It was attempted, though without success, to extend this theory from the sphere of consumption to all other phases of the bourgeois economy, such as production, productivity, accumulation, rent, interest, profits, and wages. In the course of discussion, theory underwent a number of changes. However, as an explanation of all economic phenomena, the marginal utility theory is now rejected by the

Bourgeois economists who played with the problem of a socialist economy concerned themselves from the beginning only with attempts to find a "substitute" for the market. They discussed the manifold possibilities of economic calculation in a socialist system, some taking an affirmative and others a negative position. There is a long list of theorists who have dealt with these questions***, though we are here restricting ourselves to Lange.

Lange first points out that in considering a "socialist" pricing system, a distinction must be made between the two meanings of price. "It may mean either price in the ordinary sense, i. e., the exchange ratio of two commodities on the market, or it may have the generalized meaning of terms on which alternatives are

majority of bourgeois economists. As a partial explanation, it was adopted by the Neo-Classicalists, or the so-called modern value theorists. They combined the older cost of production theory with the marginal utility theory. In the neo-classical theory therewith comes to light the limited importance of the marginal utility theory. The latter is able only to serve as an explanation for certain features of the existing price system. The theory is neither able to comprehend and explain prices without the objective value theory, nor the deeper-lying economic reasons for market and price fluctuations. The workers are interested only in the scientific analysis and critique of the main functions of capitalism, such as the process of accumulation, the crises cycle, the movement of the rates of profit, etc. phenomena understandable only with the help of an objective value concept. By theoretically indentifying value and price, Marx rightfully ignored all the problems raised by marginal utility theory. However important they may be to the capitalists, they are of no importance for an analysis of the fundamental laws of motion in capitalism.

***The interested reader is referred to Eduard Heimann's description of "The Literature on the Theory of a Socialist Economy," in *Social Research*, February 1939, pp. 88-113; and to "Zur Theorie der Planwirtschaft," by Kurt Mandelbaum and Gerhard Meyer, in *Zeitschrift für Sozialforschung*, Vol. III, pp. 228-262.

offered**** (60)." Only the price in the latter sense does he hold as indispensable to solving the problem of the allocation of resources. "If one has a preference scale which guides the acts of choice," he says, "and knowledge of the amount of resources available," and both data are given equally well to a socialist and a competitive economy, then, "the terms on which alternatives are offered are determined ultimately by

****When bourgeois economists speak of other social forms they find the characteristics of capitalist society repeated in those other forms. The bow and arrow of the primitives as well as the instruments of production in socialism appear to them equally as capital. And so, too, price to them is "a phenomenon incident to all forms of organization of society and to economic action in general." This is why they have long made the distinction between the two meanings of price employed here by Lange. J. A. Schumpeter, for instance, explains this distinction as follows: "If we take the organization of a centralist socialist state ...it stands to reason that the central management would have nothing to go by in its decisions on the question of the what and how of production unless it gave the comrades an opportunity to express their preferences with quantitative precision. This is equivalent to saying that the coefficient of choice of the numbers of such a society would have to be found out somehow, for instance, by assigning to them a certain number of claims to units of product in general and allowing them to express their preferences for the various commodities by means of these units. If then prices can be considered to be coefficients of choice, then the coefficients of choice of the comrades would be essentially prices... Values of alternative production show themselves in capitalist society in the money price of the means of production and would show themselves in equivalent expressions in any other form of society. An economic dimension is always necessary for the guidance of production, and this economic dimension at all times and under all circumstances finds expression in coefficients of choice which are fundamentally the same* thing as prices in capitalist society." (*The Nature and Necessity of a Price System. Economic Reconstruction. Columbia University Commission. New York 1934.*)

the technical possibility of transformation of one commodity in another; e. i., by the production functions (61)." And here "the administrators of a socialist economy will have exactly the same knowledge, or lack of knowledge, of the production function as the capitalist entrepreneurs."

After a detailed exposition of the elements of the bourgeois theory of economic equilibrium, according to which equilibrium of supply and demand is established on the competitive market by trial and error, Lange states that the trial and error method can be successfully employed in a "socialist" economy. Quite persuasively he demonstrates that in "socialism", "the process of price determination is analogous to that in a competitive market. The Central Planning Board performs the functions of the market. It establishes the rules for combining factors of production and choosing the scale of output of a plant, for determining the output of an industry, for the allocation of resources, and for the parametric* use of prices in accounting. Finally, it fixes the prices so as to balance the quantity supplied and demanded of each commodity (83)." Bourgeois critics, Lange points out, have already admitted that "on paper, we can conceive this problem to be solved by a series of mathematical calculations," but that in practice this solution is quite unworkable. He now proves that in the system of his imagination it would theoretically not only be just as easy to reach right equilibrium prices (such as balance supply and demand) as in competitive society, but that this would be even easier, as it could be accomplished "by a much shorter succession of trials than a competitive market actually does," because "The Central Planning Board would have much wider knowledge of what is going on in the

*The parametric function of prices means, that though "the prices result from the behavior of all individuals on the market, each individual separately regards the actual market price as given data to which he has to adjust himself."

economic system as a whole than any private entrepreneur can possibly have under capitalism."

In spite of the enormous controls and directive power which he gives to his Central Planning Board Lange's theory is devoted to a "socialist society where freedom of choice in consumption and freedom of choice in occupation are maintained, and the preferences of consumers, as expressed by their demand prices, are guiding criteria in production and in the allocation of resources (72)." This system maintains a market for consumers' goods and for the services of labor; but there is no market for capital goods and productive resources outside of labor. The prices of capital goods and productive resources outside of labor are thus prices in the generalized sense, i. e., mere indices of alternatives available, fixed for accounting purposes. But Lange also points out that this theory is not in contradiction "to a socialist society where freedom of choice in consumption and freedom of choice of occupation are non-existent and where the allocation of resources instead of being directed by the preferences of consumers, is directed by the aims and valuations of the bureaucracy in charge of the administration of the economic system (90)." However, he does not recommend the second possibility, and refers his readers to Dr. A. P. Lerner who has "sufficiently shown the undemocratic character of such a system and its incompatibility with the ideas of the socialist movement (95)."

As in Lange's "socialism" the productive resources outside of labor belong as "public property" to the state, the incomes of the "consumers" are divorced from the ownership of those resources and are dependent on adopted principles of income formation. The necessity of maintaining freedom of choice of occupation, however, limits, in Lange's opinion, the arbitrary use of decisions in regard to distribution, "For there must be some connection between the income of a consumer and the services of labor performed by him (74)." He suggests two forms of consumers income, "one part being the receipt

for the labor services performed and the other part being a social dividend constituting the individuals' share in the income derived from the capital and the natural resources owned by society (74)."

Lange wishes that the consumers should actually dictate to the state what shall be produced. The finding of the proper prices shall bring about an equilibrium between supply and demand; what capitalism never was able to do, shall now be realized. Under capitalism, as Lippincott explains Lange's more technical text, "demand price, or what consumers are willing and able to pay, does not reflect the relative urgency of needs of different persons," and consequently, "The allocation of resources as determined by demand price offered for consumers' goods is far from attaining the maximum social welfare." To distribute income so as to maximize the social welfare, the same demand price offered by different consumers must represent an equal urgency of need. "The services of labor must be apportioned among the different occupations so that the value of the marginal product of labor equals the marginal disutility involved in pursuing these occupations. In other words, that the product which results from adding the last unit of labor that just pays for itself is equal to the discomfort or pain necessary to produce it. The disutility of any occupation can be represented as an opportunity cost, and instead of attaching to the various occupations different incomes, the administration of a socialist economy might pay to any citizen the same amount of money income and charge a price for the pursuit of each occupation (20/21)."

With given incomes of consumers and a given set of prices, the demand for consumers goods is determined. The managers of production will try to minimize production costs. Output will be fixed so that marginal cost is equal to the price of the product. "Each industry has to produce exactly as much of a commodity as can be sold to other industries at a price which equals the marginal cost incurred by the industry in producing this amount (77)." Since prices are in-

dices of terms on which alternatives are offered, that method of production which will minimize average cost will also minimize the alternatives sacrificed (78)." Surplus or deficit would result from incorrect valuations. "The right prices are simply found out by watching the quantities demanded and the quantities supplied and by raising the price of a commodity or service whenever the reverse is the case, until by trial and error, the price is found at which demand and supply are in balance (89)."

The close relationship between capitalism proper and that which Lange terms "socialism" must lead to the question, "If much the same forces would operate a socialist system as operate the competitive, ...why change to a socialist? (18)." Because, Lange answers, "Only a socialist economy can distribute incomes so as to attain the maximum social welfare (99)." The other feature which distinguishes a socialist economy from one based on private enterprise is the **comprehensiveness** of the items entering the price system (103)." And finally he hopes that "as a result of the possibility of taking into account all the alternatives a socialist economy would not be subject to the fluctuations of the business cycle (105)." However, in stating the case for socialism, Lange adds that the real issue is not the comparison of the merits of a socialist and capitalist economy, but "whether the further maintenance of the capitalist system is compatible with economic progress (110)," a question which he answers in the negative, as "monopoly, restrictionism, and interventionism can be done away with only together with private enterprise and the private ownership of the means of production, which, from being promoters, have turned into obstacles, of economic progress (120)."

Those who want to follow Lange's exposition in all its details will have to read his book. We must restrict ourselves to the statement that we have no intention of challenging the logic of his arguments as far as they are directed against his adversaries in the bourgeois camp. We are quite