

Socialism and Calculation

In recent years, with the revival of the ideological Right as a reaction to the failure of the wishy-washy middle-of-the-road social reformism that had been in vogue since the war, we in the Socialist Party have been singled out for special attention by those partisans of unbridled capitalism who call themselves "libertarians" and 'anarcho-capitalists'. This is probably because we are the only group calling itself socialist to put forward a coherent definition of what socialism is and prepared to go into the details of how we think a classless, stateless and in particular moneyless society might work.

The point these ideological defenders of capitalism love to attack us on is the idea of abolishing markets, prices, money and all other aspects of buying and selling. This they say would be impossible, as demonstrated by a certain Ludwig von Mises in an article on "Economic Calculation in the Socialist Commonwealth" published in German in 1920 (and first published in English in 1935 in *Collectivist Economic Planning* edited by Hayek). Von Mises, they claim, showed that a socialist society was impossible because it would be unable to calculate rationally which productive methods to adopt. This they call "the economic calculation argument". According to von Mises, rational economic calculation is only possible on the basis of prices fixed by the free play of market forces. In other words, the only form of rational calculation that can be applied to the production of wealth is monetary calculation.

Although money, and so monetary calculation, will disappear in socialism this does not mean that there will no longer be any need to make choices, evaluations and calculations. Our argument is that these evaluations and calculations, including those concerning the non-monetary "cost" of objects in terms of the effort and materials used to produce them, will be done directly in kind, without any general unit of account or measurement, neither money nor labour-time.

This follows from the very nature of socialism as a society geared to producing wealth directly to satisfy human needs. Wealth will be produced and distributed in its natural form of useful things, of objects that can serve to satisfy some human need or other. Not being produced for sale on a market, items of wealth will not acquire an exchange-value in addition to their use-value. In socialism their value, in the normal non-economic sense of the word, will not be their selling price nor the time needed to produce them but their usefulness. It is for this that they will be appreciated, evaluated, wanted. . . and produced. So estimates of what is likely to be needed over a given period will be expressed as physical quantities of definite types and sorts of objects. Nobody, not even von Mises, has denied that this could be done without problems:

calculation in natura, in an economy without exchange, can embrace consumption-goods only (Von Mises, p. 104).

Von Mises' argument was that the next step - working out which productive methods to employ - would not be possible, or at least would not be able to be done "rationally" avoiding waste and inefficiency, without "economic

calculation" - monetary calculation based on market prices. Our answer is that the choice of which productive methods to employ will, like working out what consumer goods are needed, be based on estimations and calculations in kind.

A monetary economy gives rise to the illusion that the "cost" of producing something is merely financial; indeed so associated is the word cost with financial and monetary calculation that we are obliged to put it in inverted commas when we want to talk about it in a non-monetary sense. But the real cost of the pen I'm using to write this article is not 10p, but the amount of wood, slate, labour, electricity, wear and tear of machines, used up in producing it. This will continue to be the case in socialism. Goods will not grow on trees, but will still require expenditure of effort and materials to produce them. The point is that in socialism this expenditure of effort and materials will be estimated and calculated exclusively in kind, directly in terms of wood, slate, machinery wear and tear, electricity, and so on (including working time, but as this will be a special case we'll come back to it later). Since socialism will be concerned with conserving resources it will want to adopt those productive methods which, other things being equal, use less rather than more materials and energy and this will be one, but only one, of the factors to be taken into account in deciding which technical method of production to adopt.

Monetary calculation, whether to discover which productive method is the most profitable (as imposed by capitalism and praised by the followers of von Mises) or for any other purpose (as proposed by various partisans of state capitalism and other unrealistic would-be reformers of capitalism), is a very peculiar sort of calculation since it involves reducing all use-values to an abstract common denominator. Use-values can indeed be compared but only in concrete situations since the same object can have a different use-value at different times and under different circumstances. Monetary calculation, however, seeks to compare all objects in terms of an objective standard applicable in all circumstances; to do this it needs to identify a feature common to all objects. Such a common feature can indeed be found: that a certain "cost" in terms of materials, energy and labour expended has had to be incurred to produce them (ultimately the labour-time required to produce them from start to finish, and - this is the basis of the labour theory of value - the materials and energy expended, being produced by labour, can also be reduced to given amounts of necessary labour-time). It is this cost that is supposed to be measured by money. Money, then, is the universal unit of measurement, the "general equivalent", that allows everything to be compared with everything else under an circumstances - but, and this is what the partisans of monetary calculation forget, only in terms of their labour-time cost or the total time needed on average to produce them from start to finish.

To make this the only consideration that counts (as is imposed by the economic laws of capitalism) is an absurd aberration. It is like making volume the most important thing about bottles containing different liquids and then concluding that a litre bottle of water has the same significance as a litre bottle of wine or of oil or of sulphuric acid or whatever. But we are doing exactly the same if we say, or if we believe, that different goods selling at

the same price have the same "value", or are "worth" the same, in terms of their real usefulness to people.

Market Values or Human Values?

So the argument between monetary calculation and calculation in kind is much broader than it first seems. It is not merely a technical argument about how to calculate and what units to use for this, but is an argument about the real meaning of words like "value" and "worth". Socialists, as opponents of monetary calculation, say that it is not monetary or market values, in the end total average production time, that is the most important thing about a good but its usefulness in satisfying some human need; that the real values are use-values, human values. We are saying that these are the factors that should be taken into account when making choices and calculations about production. not simply production time.

This presupposes that calculations concerning production can be carried out without money or without some money-substitutes, some other general unit such as labour-time. Such non-monetary calculation of course already happens. on the technical level, under capitalism. Once the choice of productive method has been made (according to expected profitability as revealed by monetary calculation) then the real calculations in kind of what is needed to produce a specific good commence: so much raw materials, so much energy, so much labour. . In socialism it is not the case that the choice of productive method will become a technical choice that can be left to engineers. as is sometimes misunderstood by our critics, but that this choice too will be made in real terms, in terms of the real advantages and disadvantages of alternative methods and in terms of, on the one hand, the utility of some good or some project in a particular circumstance at a particular time and, on the other hand, of the real "costs" in the same circumstances and at the same time of the required materials, energy and productive effort.

To advocate monetary calculation, then, is to advocate that only one consideration - the total average production time needed to produce goods - should be taken into account when making decisions about which productive methods to employ. This is patently absurd but it is what is imposed by capitalism. Naturally, it leads to all sorts of aberrations from the point of view of human interests. In particular it rules out a rational, long-term attitude towards conserving resources and it imposes intolerable conditions on the actual producers (speed-up, pain, stress, boredom, long hours, nightwork, shiftwork, accidents).

Socialism, because it will calculate directly in kind, will be able to take these other, more important, factors than production time into account. This will naturally lead to different, in many cases quite different, productive methods being adopted than now under capitalism. If the health, comfort and enjoyment of those who actually manipulate the materials, or who supervise the machines which do this, to transform them into useful objects is to be paramount, certain methods are going to be ruled out altogether. The fast-moving production lines associated with the manufacture of cars would be stopped for

ever (except perhaps in a museum of the horrors of capitalism); nightwork would be reduced to the strict minimum; particularly dangerous or unhealthy jobs would be automated (or completely abandoned).

Work can, in fact must, become enjoyable. But to the extent that work becomes enjoyable, measurement by minimum average working time would be completely meaningless, since people would not be seeking to minimise or rush such work.

However there will still be some kinds of work that socialist society will want to minimise. For instance, dangerous or repetitive work. Once again, this would be one of the real factors that will have to be taken into account when decisions are made as to what productive methods to adopt. Other factors would be conserving resources (so out would go "planned obsolescence" and in would come solid goods made to last), saving energy, avoiding pollution and generally maintaining a sustainable ecological balance with the rest of nature.

As a matter of fact, even under capitalism, enterprise managers do not just base their decisions on market prices, long-term or short-term. They are obliged by law (and also by trade union pressure) to take into account a whole series of other factors such as safety, anti-pollution and planning permission. The overriding consideration remains of course expected profits (the difference between anticipated sales receipts and monetary cost of production). This means that these factors are of minor importance and only reflect the minimum standards that are not incompatible with profit-making and, being imposed from outside against the logic of short-term profit-making are always being broken. But they do, however marginally, enter into productive decisions, thus showing that it is possible to take into account other considerations than minimum production time.

The Priorities in Socialism

In socialism the situation will be quite different: these factors will be automatically taken into account in the decision-making process and will not have to be imposed from outside as a sort of after-thought, since among the highest priorities of production will be the health and welfare of the producers. We can imagine the decisions as to choice of productive methods being made by a council elected by the workforce, or by a technical subcommittee of such a democratically-elected council. In making their choice they will first take into account, not minimising average total production time as the economic laws of capitalism enforce today, but the health, comfort and enjoyment of the workforce, the protection of the environment and the conservation of materials and energy. Since materials and energy, and work to the extent that it is not interesting and creative but only routine, are real "costs" the aim will be to minimise them. As there will be these clearly defined objectives and constraints, mathematical aids to decision-making such as operational research and linear programming, at present prostituted to the end of maximising profits, can be used to find the optimum productive methods.

Another point that must be understood is that socialism will not have to

start from scratch. It will inherit from capitalism a going technical system of production which it will be able to adapt to production for use. Some methods will have to be stopped straight away or as soon as possible but others will only need modifying to a greater or lesser extent. Again, when socialism will have cleared up the mess inherited from capitalism, it will become a society in which methods of production too will only change slowly. This will make decision-making about production much simpler.

We add straight away to avoid any misunderstanding that, even in the period at the beginning of socialism when production will be clearing up the mess in terms of deprivation and poverty left by capitalism, monetary calculation won't be necessary. The necessary expansion of production can be planned and executed in real terms.

So, the so-called "economic calculation argument" against socialism collapses in the face of detailed analysis. The alternative to monetary calculation in terms of exchange-value is calculation in kind in terms of use-values, of the real advantages and real costs of particular real alternatives in particular real circumstances.