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How “Socialist” Can Commodity Production Really Get?

The Acheron In Motion

78–100 minutes

Commodity Production has been a hot topic in Marxist debates in the last century. This article serves to clarify its meaning, role and future.



53 min read

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Author’s Note: This article is an edited version of the script I used to film a video titled “[The Never-Ending Debate of Commodity Production: A Response\(ish\) to Hakim](#),” with slight but extremely crucial additions and redactions (I have expanded on Engels’ and

Luxemburg's writings on the Commodity Form and Production). I realized that Youtube videos are a great way to reach people who have trouble reading pages upon pages at once and enjoy visually following the "plot." However, they're not awfully convenient if one is trying to fish out citations or sources in the middle of an argument, which cannot be done without having to surf through a whole hour's worth of footage. This is my attempt to somehow contribute to the overdone "commodity production debate" — a dead horse, which has been almost as beaten to death as the "socialism is when the government does stuff" trope. My aim is to first and foremost, make clear what commodity production is and where it comes from using strictly Marxist literature, why we aim to overcome it, as well as chronologically track when and where the notion of "socialist commodity production" emerged and how it evolved over time, while discussing the most prominent arguments and counterarguments from all parties. All responses and criticisms are welcomed!

"These gentlemen think that when they have changed the names of things they have changed the things themselves. This is how these profound thinkers mock at the whole world."

Friedrich Engels, "[On Authority](#)," written in 1872

Introduction

Upon observing any Marxist group, be it a reading circle, a Discord server, a Twitter clique or the like, you cannot but encounter the dreadful "commodity production." Indeed, it is thrown around in communist circles in utterly fanatical amounts. In the surrounding debates, hopelessly trying to dissect what this commodity production actually is, two sides tend to emerge. The first party in the debate — Marxist-Leninists, Maoists and similar tendencies, usually cite Joseph Stalin's "[Economic problems of Socialism in the USSR](#)" (a work, which [Mao Zedong himself criticised](#), but considered Stalin's comments on commodity production and the law of value specifically more or less correct nevertheless, stating: *"On commodity production and the law of value he [Stalin] has a number of views that we approve of ourselves, but there are problems as well. Limiting commodity production to the means of subsistence is really rather doubtful. Mistrust*

*of the peasants is the basic viewpoint of the third letter [Reply to comrades A. V. Sanina and V. G. Venzher]. Essentially, Stalin did not discover a way to make the transition from collective to public ownership") and argue, that commodity production, and hence the law of value too, operated in all "socialist states" and will operate in future ones as well, for the simple fact that socialism — or the lower stage of communism — still maintains all of the aforementioned, until a full transition has been made into the higher stage, or communism proper. These tendencies mostly use out-of-context passages from Marx's "Critique of the Gotha Program," repeating "the birthmarks of capitalism" *ad nauseam*.*

The second side, which usually involves Left Communists, Marxist Humanists and other anti-Stalinists, argues that developed commodity production is a strictly Capitalist characteristic and that it represents a capitalist remnant in the dictatorship of the proletariat. Put simply, its existence necessitates the existence of other categories that cannot physically exist in a society that can be called liberated, or on the path of final emancipation. As the socialist mode of production is logically and theoretically the only mode of production present in a post-capitalist society, and as this way of organizing production and consumption assumes a cooperative, associated production, direct social labour, etc., it cannot allow for even the existence of the commodity or the value forms. We will be expanding on this exponentially later in the article.

What prompted me to finally write all of this was Hakim's youtube video — "[**Does Commodity Production Exist Under Socialism?**](#)" — a culminating point, when I decided to finally make my own response to the ongoing squabbles between different flavours of communists. What makes responding to this video worthwhile is the fact that it's a very raw exposition of how Marxist-Leninists think and argue when it comes to this topic. So by responding to this single, 12-minute video, one is responding to most of the Marxist-Leninist talking points by proxy.

I will be exploring the incorrect theoretical arguments made in the aforementioned video, and talk about the subject in a broader sense (which makes this article not a direct response to anything, but a

general overview through the lenses of a youtube video from a Marxist-Leninist), while referring to a vast collection of Marxists and their works. I will try to determine the exact meaning of commodity production in greater depth, as well as probe into how it emerged. I don't want this to be a cliche, overdone discussion with no fruitfulness, so I will try to discuss as many arguments as I can. My only goal is to convey complicated information in a flexible manner in the hopes of not only convincing you that commodity production doesn't belong in any socialist formation, but also giving you some food for thought, beyond any disagreements. Even if you think otherwise after reading this article, as long as you're encouraged to personally look deeper into the matter, I will consider my task completed.

I've embedded links of every mentioned work, so the digital sources for cited material will be available by clicking on the titles or the authors of the said works. I've left some of the quotes given in the article in their original form for context, which makes them somewhat long, but it's in your best interest that you read the full extract without any ellipses and cuts to ensure intellectual honesty of the author. I have added my own emphases to the quotes wherever it says "(emphases mine)," hence all emphases belong to the respective authors unless specified otherwise. Even though I will be adding my own commentary, summaries and clarifications, most of the quotes are self-explanatory and clear, hence we won't devote much time to explaining all of them in depth besides a paragraph or two.

Of course, omissions and mistakes are very possible, as I'm not infallible, nor am I an expert on the topic. That's why constructive and corrective criticism is wholeheartedly welcomed.

With the disclaimers, notes and instructions out of the way, lets jump straight into exploring what commodity production is.

Commodity Production

To even begin talking about commodity production, we must first define what a commodity is, as well as explore the concept of production, synthesizing the two for our exposition of "commodity production" in general.

According to [Marx](#):

"A commodity is, in the first place, an object outside us, a thing that by its properties satisfies human wants of some sort or another. The nature of such wants, whether, for instance, they spring from the stomach or from fancy, makes no difference. Neither are we here concerned to know how the object satisfies these wants, whether directly as means of subsistence, or indirectly as means of production."

Hakim, very correctly, cites Lenin's "[Karl Marx](#)," who in turn reiterates this point of Marx:

"A commodity is, in the first place, a thing that satisfies a human want; in the second place, it is a thing that can be exchanged for another thing."

It seems perfectly obvious what a commodity is, and by observing Marx's Capital — as the book starts with exploring the concept of commodities itself — it is clear that commodities take a central part in our analysis. So much so, that Marx himself identifies the commodity as the cell of capitalist society.

Moving onto production, we must once again cite Marx, but this time, the [first chapter of the Grundrisse](#):

"Whenever we speak of production, then, what is meant is always production at a definite stage of social development — production by social individuals. [...] Production in general is an abstraction, but a rational abstraction in so far as it really brings out and fixes the common element and thus saves us repetition. [...] Capital is, among other things, also an instrument of production, also objectified, past labour. [...] If there is no production in general, then there is also no general production. Production is always a particular branch of production — e.g. agriculture, cattle-raising, manufactures etc. — or it is a totality. [...] All production is appropriation of nature on the part of an individual within and through a specific form of society."

Broadly, Marx views production concretely to analyze its role in greater depth, but comments that it's rational as an abstraction if used as to avoid redundancy. Production as a process appropriates nature, and we can link this to Marx's [Critique of the Gotha Programme](#), where he clarifies that material wealth consists of use-values, which is sourced from nature *too*, while human labour power

is a *natural* force. In the same chapter of the *Grundrisse*, Marx says that “[t]here are characteristics which all stages of production have in common” but the “so-called general preconditions of all production” encompass no real data to analyze the historical stage of production, making it abstract.

Now that we have understood both the concept of the commodity and of production, we must see what commodity production really is. Friedrich Engels, writing in the *Origins of the Family, Private Property, and the State* ([Chapter IX — “Barbarism and Civilization”](#)), explains the genesis of commodity production and what it entails:

“With the splitting up of production into the two great main branches, agriculture and handicrafts, arises production directly for exchange, commodity production. [...] Civilization is, therefore [...] the stage of development in society at which the division of labor, the exchange between individuals arising from it, and the commodity production which combines them both, come to their full growth and revolutionizes the whole of previous society... But the division of labor slowly insinuates itself into this process of production. It undermines the collectivity of production and appropriation, elevates appropriation by individuals into the general rule, and thus creates exchange between individuals. [...] Gradually commodity production becomes the dominating form.” (emphases mine)

Engels makes clear that the starting point of commodity production, which he defines as “production directly for exchange” was the division of production into agriculture and handicrafts. According to his definition, Commodity Production combines **the division of labor** and **the exchange between individuals arising from it**. In the passages following the aforementioned, we also see Engels starting to hint at the concept of **Estrangement (Alienation)**.

He continues:

“With commodity production, production no longer for use by the producers but for exchange, the products necessarily change hands. In exchanging his product, the producer surrenders it; he no longer knows what becomes of it. When money, and with money the merchant, steps in as intermediary between the producers, the process of exchange

becomes still more complicated, the final fate of the products still more uncertain. The merchants are numerous, and none of them knows what the other is doing. The commodities already pass not only from hand to hand; they also pass from market to market; the producers have lost control over the total production within their own spheres, and the merchants have not gained it. Products and production become subjects of chance.” (emphases mine)

This passage is of utmost importance and contains a valuable contribution in explaining how Estrangement develops and works. Engels explains, that with *commodity production*, which contains *the division of labour* (here we already see a clear chain forming, when one condition existing must necessarily be followed by another), the producer surrenders the product by exchanging it, thereby losing track of its fate. As the world develops, the scale increases — merchants, more markets and intercontinental trade enter the scene, only to serve as a stepping-stone for the most profound form of alienation — wage-labour. Production as a process, and its “vassals” — the products themselves, **become subjected to chance**.

To explain why this is important, Engels goes on to say:

*“But chance is only the one pole of a relation whose other pole is named “necessity.” [...] The more a social activity, a series of social processes, becomes too powerful for men’s conscious control and grows above their heads, and the more it appears a matter of pure chance, then all the more surely within this chance the laws peculiar to it and inherent in it assert themselves as if by natural necessity. Such laws also govern the chances of commodity production and exchange. To the individuals producing or exchanging, they appear as alien, at first often unrecognized, powers, whose nature must first be laboriously investigated and established. **These economic laws of commodity production are modified with the various stages of this form of production;** but in general the whole period of civilization is dominated by them. And still to this day the product rules the producer;”*

The two parts of this extract which we have emphasized are key to understanding the nature of commodity production. Engels states, that the economic laws of commodity production “are modified with the various stages of this form [the commodity form] of production,”

which implies that whether it is simple **or** capitalist commodity production, *the laws* governing them are **modified**, but never abolished, and the “whole period of civilization is dominated by them.”

Engels remarks later in the book, that “Since civilization is founded on the exploitation of one class by another class, its whole development proceeds in a constant contradiction.” This signifies to us that in Communism, regardless of the stage, civilization as a concept is transcended, as there are no longer classes. And as Engels states in Chapter IX, the whole period of civilization is dominated by these economic laws, meaning that they’re exploitative by their nature, leading to their abolition in a classless society. We would need an entirely different article explaining **if** Socialism, i.e. the lower stage of Communism has a state, and hence, classes, but there can be convincing arguments made as to why or why not a state is necessary in the lower stage, and even quotes from Lenin’s the State and Revolution can justify any of the given views, [1] but this is a topic much more controversial and detailed than commodity production, so we shall leave it aside for now.

Of course, for Marxist-Leninists, who believe the State does indeed exist in the lower stage, and hence classes (as the Soviet State existed while the USSR was, in their mind, the “lower phase of communism”), will naturally consider this epoch a part of “Civilization.” But Engels, who used communism and socialism interchangeably, doesn’t talk about the stages at all, but rather takes “communism,” as in the Communist Mode of Production to be outside of civilization, and hence free from classes. So, regardless of what Marxist-Leninists may opine on the state, Engels tells us, that Socialism exists outside of civilization, the latter implying classes, a state, bureaucracy and hence exploitation.

Now that the history of commodity production in general is clear, it’s time to explain the technicalities, and here is where Marx comes in. We’ll go through the relevant passages from all four volumes of Capital, starting by [Capital Volume I, Chapter I](#):

“In the totality of various use-values or commodity-incarnations, there appears a totality of varying deployments of useful labour — just as

manifold and differing in genus, species, family, subspecies, variety: a social division of labour. This is the precondition for the existence of commodity production, and it is not the case that commodity production is the precondition for the existence of the social division of labour. In the community of ancient India, labour is socially divided without the products becoming commodities." (emphasis mine)

Marx makes clear, that if commodity production exists, so does the social division of labour, and not the other way around. He takes ancient India as an example, where the social division of labour existed, but the products weren't commodified. However, there isn't a single instance where Commodity Production has existed without the social division of labour, ergo, where commodity production exists, so must the *social* division of labour (not to be confused with the division of labour in general, which — according to Marx in the Critique of the Gotha Program — remains until the higher stage of communism). Here, we get a glimpse of why commodity production is problematic — it necessitates the existence of social division of labour, which comes with "problems" of its own, which we shall deal with later on.

Marx had also highlighted all of this in the [draft of chapter VI of Capital](#) previously. The following extract is much more important than the one in the finalized version of Capital, as it underlines several major points we are trying to make:

"2) Commodity production necessarily leads to capitalist production, once the worker has ceased to be a part of the conditions of production (slavery, serfdom) or the naturally evolved community no longer remains the basis [of production] (India). From the moment at which labour power itself in general becomes a commodity.

3) Capitalist production annihilates the [original] basis of commodity production, isolated, independent production and exchange between the owners of commodities, or the exchange of equivalents. The exchange between capital and labour power becomes formal." (emphases mine)

Here, Marx makes the same point, albeit with a bit more nuance — nuance which is rather important. He makes clear, that the utilization

of Commodity Production in a socialist society by stripping it of its capitalist nature and regressing it to its pre-capitalist form is simply impossible, as the original basis of producing commodities is destroyed. However, this is what some Marxist-Leninist suggest and imply, when they make the point that Capitalism is not the same as commodity production over and over again.

Of course, in the latter regard, they're right — every prominent Marxist is seen making the same point, including Marx. An example of this is [**Chapter IV of Capital Volume II**](#), where he says:

*“But it is the tendency of the capitalist mode of production to transform all production as much as possible into commodity production. The mainspring by which this is accomplished is precisely the involvement of all production into the capitalist circulation process. **And developed commodity production itself is capitalist commodity production.**”*
(emphasis mine)

Here he is clearly differentiating between commodity production and its developed, capitalist counterpart. Lenin, in [**Chapter IV**](#) of his Imperialism: the highest stage of Capitalism says the same: “Capitalism is commodity production at its highest stage of development, when labour-power itself becomes a commodity.”

But by overemphasizing this, Marxist-Leninist lose track of the crux of the issue — that commodity production has become too fused to Capitalism to simply be torn from it. Repeating that the two are distinct is, while factual, useless, as it completely ignores the nature of commodity production under capitalism and how it is transformed.

Lenin also affirms Marx's analysis with respect to commodity production and its dependence on the social division of labour. In 1899, [**he wrote:**](#)

“The basis of commodity economy is the social division of labour. Manufacturing industry separates from the raw materials industry, and each of these subdivides into small varieties and subvarieties which produce specific products as commodities, and exchange them for the products of all the others. Thus, the development of commodity economy leads to an increase in the number of separate and independent

branches of industry. [...] Thus, the social division of labour is the basis of the entire process of the development of commodity economy and of capitalism."

In the introduction of [**Socialism or Exposure of Plunder of the State**](#), Lenin states:

*"When capitalists work for defence. i.e., for the state, it is obviously no longer "pure" capitalism but a special form of national economy. **Pure capitalism means commodity production. And commodity production means work for an unknown and free market.** But the capitalist "working" for defence does not "work" for the market at all — he works on government orders, very often with money loaned by the state."*

Lenin agrees with Marx that developed Commodity Production is just Capitalism, and its generalized form serves the basis of bourgeois society, and he adds that "commodity production means work for an unknown and free market," which means that commodity production presupposes not only the social division of labour, but markets too (and all of these are interconnected — taken apart, they don't really mean anything individually). And any "socialist society" that has markets, profits, commodity production and such categories, belongs to a **very** dubious school of "socialism."

Hakim also makes the following argument in his video:

"Some people also argue that since certain goods, e.g. consumer goods distributed by the state in shops are exchanged through money, this too is a component of commodity production. I tend to disagree with this point, as money functions and historically functioned differently under Socialism."

Leaving the latter part aside, which is but an ahistorical description of the Soviet Rouble, with which we will not be dealing right now, let's explore the relationship of money and commodity production. In [**Chapter XVIII of Capital Volume II**](#), Marx explains this in great detail:

*"As to the first point: **commodity production presupposes commodity circulation, and commodity circulation presupposes the expression of commodities in money, the circulation of money;** the splitting of a commodity into commodity and money is law of the expression of the*

|product as a commodity.” (emphasis mine)

This is affirmed by Rosa Luxemburg, writing in [chapter V of the Accumulation of Capital](#), a rather controversial work, but an important one nevertheless:

“[T]he general form of capitalist production is that of commodity production which implies the circulation of money; secondly, the circulation of capital is based upon the continuous alternation of the three forms of capital: money capital, productive capital, and commodity capital...” (emphasis mine)

Hakim's argument is based on his impression, [2] that Soviet money perhaps represented some form of labor vouchers, or at least, didn't function like the usual currency does. To be certain, Hakim isn't making any of this up. The historicity of this claim aside, juxtaposed to [Stalin's opinions on money](#) in the Soviet Union, it is a one-to-one reflection:

“Once there is commodity circulation, there must be money. In the capitalist countries the monetary economy, including the banks, leads to the ruination of the workers, the impoverishment of the population and increase in the wealth of the exploiters. Money and the banks serve as means of exploitation under capitalism. Our monetary economy is not the usual one and is distinct from the capitalist monetary economy. With us money and the money economy serve to strengthen the socialist economy. With us the monetary economy is an instrument that we are using in the interests of socialism.”

If we speak of money in the Soviet Union, we must speak about Tadayuki Tsushima, a Japanese Marxist, who analysed Stalin's comments and works in his 1956 “Myths of the Kremlin” (only a part of which has been translated into English) and had a few words to say, a part of which is also about money. Tsushima himself (undoubtedly an underrated and understudied figure) started out as an anarchist in his early youth, and after being “converted” to Communism by the leader of the Japanese Communist Party, he slowly grew disillusioned with its Stagist theory, leading him to start exploring Trotskyism. Throughout his intellectual career, he became increasingly critical of Orthodox Trotskyism, ending up being

something similar to Leninist Humanism, as signified by his close ties to the American Marxist Humanist movement and its representatives — Raya Dunayevskaya, Grace Lee Boggs and C.L.R. James.

Tsushima starts off his criticism in "[The Law of Value and Socialism](#)" very cynically, saying that if Stalin had truly "digested well *Capital* so that it was in his blood and bones" he would've acknowledged that the law of value would have already disappeared if it were the first stage of communism, without the need to wait for the higher one, a deduction of which would be that the Soviet Union was not Socialist at all. He continues:

"The basis for saying this is Marx's theory of value according to which a communistic social structure—whether in the first or second stage—is premised on labor that has become directly social labor, which is to say a form of production that is diametrically opposed to commodity production, so that the law of value withers away and this law of value only arises under the opposite case. This question has no room for any sort of scholastic philosophy to be introduced and is instead perfectly clear. Stalin and the Stalinists have rejected this pillar of Marxist political economy, both theoretically and practically."

Tsushima bases his claim that a socialist society — regardless of the stage — has no commodity production and no law of value on the fact that according to Marx, once labour has become directly social — a characteristic of a communist social structure — the possibility of commodity production existing is none, as it is diametrically opposed to the existence directly social labour. We know that labour is directly social in the lower phase of communism, as well. [3]

He continues with the analysis of money, and takes a wonderful example of a contemporary falsifier in Japan:

*"In Japan a blatant example of this can be seen in the following ramblings of a 'Marxist' named Toshio Hiradate. If his statement is taken at face value, Hiradate must be considered a 'Marxist' who lacks the gumption of the Russians who rejected Marx and Engels. In a June 1949 article that appeared in the journal *Hyōron* he writes:*

'Many of the things written by Marx and Engels indicate that they rejected

the need for the operation of the law of value and money and commerce in socialist society.' (Kazrov)—Marx and Engels only said that there is no need for capitalistic commerce or money in a socialist society, but they never said that about socialistic commerce or socialistic money. In this manner, Kazrov is misinterpreting Marx. As Kazrov himself notes, when reading Marx's sentences, one must distinguish between the letter and the essence."

This is such a beautiful example of how the Stalinist mindset works, that only a few others can trump it. The twisting of words, rhetorical mumbo-jumbo, and outright falsification — it being tragic aside — is actually very impressive. Adding “Socialist” in front of **any** Capitalist notion, apparently turns it into a socialist one with the magic of dialectics (or whatever technical term they’re in the mood to exploit).

Tsushima comments on Hiradate’s “theory” with vitriol:

*“One must distinguish between the letter and the essence! Is that so? What would Marx have to say about this variety of ‘Marxist’? No doubt he would say: I am no Marxist! **Marx laughed caustically at the followers of Proudhon who sought to shake free of the hell of money on the basis of commodity production. And yet here, conversely, ‘socialist commerce and socialist money’ are being dragged into socialism, which is a society of communal labor.** [...] Under socialism, the category of commodity value, and therefore all commerce and all money, wither away. This is the necessary corollary of Marx’s theory of value, and this is also what Marx and Engels themselves spoke of. They clearly stated that labor certificates do not become money. It is ridiculous to say that Marx never said anything about this. Hiradate is not thinking straight. **I would like to ask him whether ‘money’ and ‘commerce’ are possible without the law of value. Or we could ask him whether it is possible for the law of value to arise when labor has become directly social labor?** If it is said that it could arise, this is the view of commodity production as something supra-historical, which would mean that Marx’s labor theory of value in Capital is mistaken!” (emphases mine)*

Hakim also says in the very same sentence that “Money functions [...] differently under socialism” without any elaboration, so we must state here, that money doesn’t exist under socialism at all. Labour vouchers aren’t simply “a different kind of money.” They differ from

money greatly, especially from its modern type. For example, labour vouchers cannot be kept in a reserve and be accumulated. Any attempt at this leads to the loss of the performed labour quantum without compensation. Neither can they be circulated.

Tsushima's brilliant exposition, marked by his analysis of Stalinist contemporaries gives us a lot to think about. Historically, we see that Stalin's theory found opposition not only in the Soviet Union, but worldwide. So from Japan, let's go to Italy, and see what Amadeo Bordiga — the dreaded Neapolitan — had to say about Stalin's 1952 work in his famous "[Dialogue with Stalin](#)."

First, Bordiga affirms, that "If Stalin [...] had spoken of a system of commodity production after the conquest of power by the proletariat, this would not have been a monstrosity." As we know from revolutionary history, Lenin was conscious of the fact that the Soviet system had maintained commodity production and hence, capitalism due to various reasons, be it War Communism and the following measures of New Economic Policy, or the general harsh conditions in need for such measures. But Lenin consciously repeated over and over again that this **was not socialism**. He repeats this again in *The Tax in Kind*, something which we will discuss later.

Bordiga has his own thoughts on why commodity production henceforth belongs to the capitalist category. Stalin's major point in his work was that commodity production predates Capitalism and doesn't **mean** capitalism, which is true, and Bordiga agrees to this, but remarks, that Marx develops this precise theory (the theory that Stalin makes the methodological appropriation of) for quite a different aim. Briefly, Marx was criticising the Bourgeois economists who considered commodity production natural, permanent and eternal and regarded it as a vital mechanism to combine production and consumption. Bordiga makes a very important point, that after commodity production has become universal as the capitalist system spreads, the former must necessarily go down with the latter. We can refer to Marx's comments in his draft of Capital Chapter VI to confirm this, which we have already discussed above.

Bordiga then asserts, that Stalin's claims about the benevolence of

Soviet Commodity Production — that it isn't exploitative or capitalist if there is no private ownership (a rather ahistorical claim) — are completely absurd, as the existence of mass commodities indicate, that somewhere along the way, reserveless proletarians had to sell their labour-power. Hakim, in his video, distinguishes between "Ownership by the whole people" and "collective enterprise ownership." Of course, Bordiga addresses this too, in a section subtitled "The Russian Economy."

We will conclude Bordiga's analysis with his comments on the law of value, for which he cites "[Anti-Dühring](#)," in which Engels says:

*"The "exchange of labour for labour on the principle of equal valuation" {256}, in so far as it has any meaning, that is to say, the mutual exchangeability of products of equal social labour, hence the law of value, is the fundamental law of precisely commodity production, hence also of its highest form, capitalist production [...] [Dühring] wants to abolish the abuses which have arisen out of the development of **commodity production into capitalist production**, by giving effect against them to the basic law of commodity production, precisely the law to whose operation these abuses are due. Like him, he wants to abolish the real consequences of the law of value by means of fantastic ones."* (emphasis mine)

Engels made sufficiently clear, that as commodity production was devoured by Capitalism and gave rise to its abuses, they became inseparable, and any attempt to tackle capitalism "backwards" i.e. try to "neutralize" commodity production in a Proudhonian manner, was simply setting out for a task that is impossible to complete. Bordiga, upon quoting this part of the text, wraps this discussion up a bit later with the following:

*"In [socialism], not only compulsory work is necessary, but also the recording of the performed labour time and its certificate — the famous "labour voucher," so much discussed in the last century. The peculiarity of this certificate is, that it cannot be kept in reserve, so that any try to accumulate it leads to the loss of the performed labour quantum without compensation. **The law of value is buried.***

Engels: 'Hence, on the assumptions we made above, society will not

assign values to products.”

Empirically, Bordiga asserts, a few conclusions can be drawn: as the law of value prevails in the Soviet domestic market, the products have commodity character, making the existence of a market necessary. If the market exists, and exchange takes place according to the law of value (so between equivalents), a monetary expression is also needed, debunking any flimsy claims that the Russian Rouble functioned anything like a labour voucher.

Finishing off this section, we can cite Marx's (highly neglected) last work, “[Notes on Adolph Wagner's “Lehrbuch der politischen Ökonomie” \(Second Edition\), Volume I, 1879](#)” where he clarifies that Commodity Production does inevitably become capitalist regardless of the conditions:

*“The obscure man falsely attributes to me the view that “the surplus-value produced by the workers alone remains, in an unwarranted manner, in the hands of the capitalist entrepreneurs” (Note 3, p. 114). In fact I say the exact opposite: **that the production of commodities must necessarily become “capitalist” production of commodities at a certain point, and that according to the law of value governing it, the “surplus-value” rightfully belongs to the capitalist and not the worker.”** (emphasis mine)*

Here, not only do we clearly see the exploitative nature of the law of value, under which surplus-value exists and fairly belongs to the exploiter, but also the affirmation of Capital Volume I draft Chapter VI.

So, while we see the errors of Stalin's theory clearly, where did it begin? Where does it have its roots?

The Genesis of “Marxist Capitalism”

First, it needs to be remarked, that these bodies of thought, just like any other, didn't appear from thin air. Both Paul Mattick and Paresh Chattopadhyay take note, that much of the later-emerging theories of socialist commodity production and socialist law of value lay with Karl Kautsky, the “pope” of Marxism and the uncrowned leader of the collapsing Second International.

Kautsky, writing in his last work “Sozialisten und Krieg,” laid out the

schemata of a revisionist-opportunist ideology, likes of which have rarely been seen since:

"People love today to speak disdainfully about the liberalistic economy, however, the theories founded by Quesnay, Adam Smith and Ricardo are not at all obsolete. In their essentials Marx had accepted their theories and developed them further, and he has never denied that the liberal freedom of commodity production constituted the best basis for its development. Marx distinguishes himself from the Classicists therein, that when the latter saw in commodity production of private producers the only possible form of production, Marx saw the highest form of commodity production leading through its own development to conditions allowing for a still better form of production, social production, where society, identical with the whole of the working population, controls the means of production, producing no longer for profit but to satisfy needs. The socialist mode of production has its own rules, in many respects different from the laws of commodity production. However, as long as commodity production prevails, it will best function if those laws of motion discovered in the era of liberalism are respected."

(page 665)

The above was quoted Paul Mattick, in his 1939 work "Karl Kautsky: from Marx to Hitler." Upon this, he very ironically remarks, that it's quite surprising that someone who had edited the Fourth volume of Marx's Capital made such errors. But he follows this up by saying that, as a talented student, Kautsky wasn't alien to "making it work" — he was willing to fit Marxism in his own, limited frames to match his theories and a flawed understanding of social development, which was a recurring theme in the Second International. Just like Stalin, Kautsky considered Marx's value concept as a law of socialist economics **if** applied consciously, justly and utilized very carefully, as to not be left to the "blind" operations of the market and cause crises and suffering. But upon this verdict, Kautsky was scolded by *Engels himself* and "pointed out to him that for Marx, value is a strictly historical category; that neither before nor after capitalism did there exist or could there exist a value production which differed only in form from that of capitalism." Kautsky accepted this, as seen in his 1887 work "[**The Economic Doctrines of Karl Marx**](#)," in which he

corrected many of his previous errors. Unfortunately, this only lasted exactly 35 years, for in 1922, while writing "The Proletarian Revolution and its Programme," Kautsky reintroduced commodity production, the value concept and market-money economy in his vision of a socialist society.

Paresh Chattopadhyay joins Mattick in exploring Kautsky's "proto-Stalinist" theories, writing about Kautsky's concept of "socialist money," socialist wage-labour and socialist markets in his magnificent book, "[**Socialism and Commodity Production**](#)," which offers much more than my article. Naturally, it's in detail and doesn't lack the technical aspect. Unfortunately, I cannot showcase examples from it here, as that would derail the main course of this article and add a few dozen pages to it as well.

Raya Dunayevskaya, an outstanding Marxist of the 20th century, belonging to the Humanist school, also had a few words to say on Stalinist falsification. Her trial to analyse contemporary Soviet Union and how it perverted Marxist theories to suit its own agendas is best exemplified by her three works (besides the groundbreaking 1942 study of the Soviet Economy): the 1944 "[**Can the law of value be uprooted?**](#)," the 1945 "[**Revision or the Reaffirmation of Marxism?**](#)" and the 1948 "[**Stalinists Falsify Marxism Anew**](#)," and we shall look into all of those briefly, as they offer valuable context. These pamphlets were "inspired" by the Soviet Economist L.A. Leontiev, the editor of "Under the Banner of Marxism" and the journal's 1943 article "Some Questions of Teaching Political Economy." In this disastrous article, which was written before Stalin's infamous work on the "socialist law of value," Leontiev went on to propose beginning the teaching of Marx's Capital by skipping Chapter I on Commodities, marking a deadly start, this time fully **public**, of Soviet falsification.

In the first work, Dunayevskaya presents a scathing criticism of the notion of "socialist law of value" and its consequences:

"Marx called the labor process of capital the process of alienation. Abstract labor is alienated labor, labor estranged not merely from the product of its toil but also in regard to the very process of expenditure of its labor power. Once in the process of production, the labor power of the worker becomes as much a "component part" of capital as fixed

machinery or constant capital, which is, again, the workers' materialized labor. According to Marx, Ricardo "sees only the quantitative determination of exchange value, that is, that it is equal to a definite quantity of labor time; but he forgets the qualitative determination, that individual labor must by means of its alienation be presented in the form of abstract, universal, social labor. In its Marxian interpretation, therefore, the law of value entails the use of the concept of alienated or exploited labor and, as a consequence, the concept of surplus value."

Dunayevskaya showcased, that for the law of value to exist, there must necessarily be alienated labour and surplus value, which are not possible without exploitation, something that Stalin says is no longer present in the USSR — making his statement not only historically, but also theoretically inaccurate and contradictory.

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She takes note of the fact, that in 1935, the very same Leontiev had written very differently on the topic:

"The Marxian doctrine of surplus value is based, as we have seen, on his teaching of value. That is why it is important to keep the teaching of value free from all distortions because the theory of exploitation is built on it [...] It is perfectly clear that this division of labor into concrete and abstract labor exists only in commodity production. This dual nature of labor reveals the basic contradiction of commodity production."

Thus we see, that Soviet Economists were very aware of the exploitative nature of Commodity Production, but as the official narrative shifted later on, they had no choice but to play along. In the same work, Dunayevskaya discusses the effects of this change and how it was done.

In 1945, Dunayevskaya returned to the topic with even more brutality and this time, set out to expose her "critics." This work is more crucial than ever, as it details how quotations from Capital can be taken out of context to knit together an agenda. Of course, her 1943 piece hadn't gone unnoticed, and several people had made responses, among which the most notable were Professors Lange and Rogin

and one Mr. Baran. They challenged Dunayevskaya's notion that the law of value couldn't operate in a socialist society. To this, she responded with the following:

*“[Marx] castigates “the presupposition that the theory of value, developed for the explanation of bourgeois society, has validity for the ‘socialist state of Marx.’” He reiterated time and again that “**in the analysis of value I had in view bourgeois relations and not an application of this theory of value to a ‘socialist state.’**” In Anti-Dühring Engels stated that in a socialist society: “**People will be able to manage everything very simply without the intervention of the famous value.**”*

*In contrast to Marx and Engels, Lange not only asserts that the law of value applies to a socialist society but further stretches the meaning of “law of value” by saying that in its “pure form” Marx considered it applicable “only under conditions of simple commodity production.” In reality, Marx criticized Adam Smith for just that assertion. **Smith, he explains fell into that error because he had “abstracted [the law of value] from capitalistic production and precisely because of this it appears as if it were invalid.” Starting with the labor theory of value of Smith-Ricardo, he showed that the unequal exchange between the capitalist and the worker was not a “deviation” from the law, but its very basis.** He transformed the classical labor theory of value into the theory of surplus value. Value, he wrote, was a social relation of production “specifically capitalistic.” Marx’s theory of value is his theory of surplus value.” (emphases mine)*

Here, Dunayevskaya affirmed, that in his analysis of value, Marx “had in view bourgeois relations and not an application of this theory of value to a ‘socialist state.’” This refutes the transcendental character of the law of value, which Smith had — in his mind — demonstrated almost 2 centuries ago. But Marx severely criticized Smith for trying to abstract the law of value from capitalist production, and Engels agreed, that in a socialist society, the “famous value” wouldn't interfere with for example management.

To explore the latter, we must detour a bit and dive deeper into “Anti-Dühring.” In the “distribution” part of the book, Engels remarks:

“The concept of value is the most general and therefore the most

comprehensive expression of the economic conditions of commodity production. Consequently, this concept contains the germ, not only of money, but also of all the more developed forms of the production and exchange of commodities. The fact that value is the expression of the social labour contained in the privately produced products itself creates the possibility of a difference arising between this social labour and the private labour contained in these same products."

Furthering his point, he says:

"Hence, on the assumptions we made above, [a socialist] society will not assign values to products. It will not express the simple fact that the hundred square yards of cloth have required for their production, say, a thousand hours of labour in the oblique and meaningless way, stating that they have the value of a thousand hours of labour. It is true that even then it will still be necessary for society to know how much labour each article of consumption requires for its production. It will have to arrange its plan of production in accordance with its means of production, which include, in particular, its labourpowers. The useful effects of the various articles of consumption, compared with one another and with the quantities of labour required for their production, will in the end determine the plan. People will be able to manage everything very simply, without the intervention of much-vaunted 'value'."

Engels makes it more than clear, that in a socialist society, practically nothing is left of the concept of "value." And even if someone doubts this conclusion, the ever-clear Engels made sure to elaborate and spell it out black-on-white that this is indeed the case in his 129th footnote:

"As long ago as 1844 I stated that the above-mentioned balancing of useful effects and expenditure of labour on making decisions concerning production was all that would be left, in a communist society, of the politico-economic concept of value. (Deutsch-Französische Jahrbücher, p. 95) The scientific justification for this statement, however, as can be seen, was made possible only by Marx's Capital."

Thus, Engels assures us that "value" will simply not be a thing, will not interfere in the society and will not be assigned to products (note his specific terminology — instead of "commodity" he says "product" to

underline the absence of the commodity form in a socialist society).

Now, one must think of the hilarity of having “the law of **value**” in a society which clearly must not have a trace of any kind of value!

To return to Dunayevskata’s analysis, the 1948 “Stalinists Falsify Marxism Anew — the State of Teaching in the Soviet Union” is the last of the trio, but also the longest and most detailed exposition of Soviet falsification. We won’t be getting into much detail here, as the piece is a bit complicated to condense. It goes step by step, reviewing the history of how these falsifications came into existence, who is responsible for them, what methodology is used, and how it’s wrong. The same Leontiev we talked about is taken as the prime example here too, and halfway through the text, Dunayevskaya concludes that:

“Leontiev’s tortuous attempts to resolve the irresolvable contradiction between his admission that labor in the Soviet Union bears a dual character and his claim that all capitalist relations have been eradicated, has ended, of necessity, in his abandonment of the Marxist analysis of the dual character of labor.”

Leontiev, trying to reconcile the Stalinist narrative to the long history of Marxist opposition to “socialist law of value,” remarks that neither Marx, Engels or **even Lenin** could foresee the “practical way to employ the law of value in the interests of socialism.” This is a clear admission from the Soviet Economists themselves, that Stalin not only broke with the Classical Marxist tradition, but with Leninism too in regards to commodity production and the law of value.

He continues that only “the genius of Stalin” could contextualize this topic in a true Marxist fashion, concluding that this has opened a new stage of “Marxist-Leninist Economics.” And by new, he of course meant the false doctrine concocted in Moscow by Stalin and Co.

Lenin on the Topic (with a particular reference to his 1921 pamphlet “The Tax in Kind”)

Lenin also had quite a few things to say about commodity production, and before discussing Hakim’s misquotation of Lenin’s “The Tax in Kind,” we are compelled to discuss Lenin’s attitudes

throughout the years beforehand. We discussed some relevant passages from Lenin's works with respect to commodity production and its character earlier in the article as well, and for a fuller picture, one can refer to this part as a continuation of that.

In 1902, writing in "[Material for the Preparation of the Programme of the R.S.D.L.P. — Notes On Plekhanov's First Draft Programme](#)" Lenin doesn't fail to mention commodity production. In his 18th note, Lenin criticises Plekhanov's following thesis:

"that the yoke of economic dependence, which lies on its [the workers'] shoulders, can be thrown off only through its own efforts, and that to throw off this yoke a social revolution is necessary, i.e., the destruction of capitalist production relations and the conversion of the means of production and of the circulation of products into public property." (this is Plekhanov's writing)

Countering it with the following note of his own:

*"1) destruction of capitalist production relations? — **Socialist production taking the place of commodity production**, 2) the expropriation of the exploiters, 3) the conversion of the means of production into public property? The conversion of private into public property." (emphasis mine)*

Here, especially in the first part of the note, where Lenin clarifies what destroying capitalist production relations entails, he not only excludes commodity production from socialist production, but he very explicitly states, that socialist production must **take the place** of commodity production. Therefore, in Lenin's mind, and in the mind of most Bolsheviks at that time, commodity production had nothing to do with socialism, and was very directly excluded from its existence. He doesn't talk of **generalized** commodity production, nor **capitalist** commodity production, but commodity production **itself**. We affirm this by looking at the [Draft Program](#) of Lenin once again, which, for its very first thesis, takes "Commodity production is ever more rapidly developing in Russia, the capitalist mode of production becoming increasingly dominant in it" which shows, that in this whole context, commodity production is spoken of as commodity production itself, without any descriptors, such as "simple" or

"capitalist." Wherever this applies, it is clearly elaborated and signified.

In 1914, writing in "[The Left Narodniks](#)," Lenin talks about the process of what we can basically deem "the absorption of commodity production by Capitalism." He describes it thus:

*"In a society in which commodity production prevails, every small farmer is inevitably and increasingly drawn into the sphere of exchange and becomes increasingly dependent on the market, not only the local and national, but the world market as well ... Millions and millions of phenomena observed day by day prove that production for exchange, commodity production, capitalism, are growing in all parts of the world, and all countries without exception. **That production for exchange and simple commodity production are evolving into capitalism is another phenomenon confirmed by millions and millions of daily economic observations in every village, in every trade, and in every handicraft.**"* (emphasis mine)

Here, Lenin clarifies that whatever the character of commodity production, it inevitably evolves into capitalism in this day and age (and such would be the case especially today!) and that this is empirically observed very easily.

We mustn't forget about Lenin's correspondence either, where he gives innumerable clarifications on various topics, including commodity production. In October 1919, Lenin wrote "[Remarks On A Letter From G. V. Chicherin](#)" [4] where he made the following comment:

"We have the struggle of the first stage of the transition to communism with peasant and capitalist attempts to defend (or to revive) commodity production."

This shows, that the **first stage** of the transition to communism (i.e. "achieving" the lower phase) must struggle against the attempts to defend or revive commodity production, excluding it from the socialist mode of production altogether.

Yet, we can find the most concise criticism of Stalin — even though it was not directed at him in the original text — in Lenin himself. Writing in Chapter IV of his "[Critical Remarks on the National Question](#),"

Lenin writes the following:

*"Such an idea, applied to the national question, resembles Proudhon's idea, as applied to capitalism. **Not abolishing capitalism and its basis — commodity production — but purging that basis of abuses, of excrescences, and so forth; not abolishing exchange and exchange value, but, on the contrary, making it "constitutional", universal, absolute, "fair", and free of fluctuations, crises and abuses — such was Proudhon's idea.***

Just as Proudhon was petty-bourgeois, and his theory converted exchange and commodity production into an absolute category and exalted them as the acme of perfection, so is the theory and programme of "cultural-national autonomy" petty bourgeois, for it converts bourgeois nationalism into an absolute category, exalts it as the acme of perfection, and purges it of violence, injustice, etc." (emphases mine)

This is one of the most valuable paragraphs Lenin has written on this topic, as it demonstrates that trying to purge Capitalism of its foundation — commodity production, was nothing but petty-bourgeois thinking with an unachievable goal. As long as commodity production exists and isn't replaced by production directly for use by direct social labour under a wholly different mode of production, your realities only change superstructurally. As Stalin admitted in his 1952 work, Commodity production did indeed exist and the law of value operated too in the Soviet Union, as well as profit, accumulation and other various categories usual to Capitalism (the latter admission coming from his discussion with Soviet Economists). However, throughout all this time, Stalin justified it with them *being socialist* (let us recall what Engels said about changing words in "On Authority"!), or put to good use, or filtered and utilized differently than in capitalist countries. All of these comments now seem like nonsensical, rhetorical mish-mash of poor justifications, once Lenin has revealed the key to Proudhon's mistake. Stalin was precisely trying to demonstrate (once again in Five Conversations with Soviet Economists, 1941–1952 we have cited above), how under the Soviet system these categories were somehow "better" and different:

"A certain amount of profit is needed by us. Without profit we cannot

create reserves, have accumulation, support fulfillment of defence tasks and satisfy social needs. Here we can see that there is labour for one self and labour for society. The word profit itself has become very dirty. It would be good to have some other concept? But what? Perhaps net income? Under the category profit we have hidden an altogether different content. We do not have a spontaneous capital flow and no law of competition. We do not have the capitalist law of maximum profit nor the law of average profit. But without profit it is not possible to develop our economy. For our enterprises even minimal profits are adequate and, sometimes, they can work without profits on account of profits of other enterprises. We ourselves distribute our resources. Under capitalism only profitable enterprises can exist. In our system we have very profitable (rentabel'niye — tr.), somewhat profitable and totally unprofitable enterprises. During the first years our heavy industry did not produce any profit but started to do so later on. [...] Money and the banks serve as means of exploitation under capitalism. Our monetary economy is not the usual one and is distinct from the capitalist monetary economy. With us money and the money economy serve to strengthen the socialist economy."

Here it's made clear how Stalin's approach to Capitalist categories was Proudhonian — he believed that — partially due to apparent necessity — such categories had to exist and be utilized, **but** they were not *like* the Capitalist ones, which in Stalin's mind, meant that they were free from exploitation and were just, serving the people. So he precisely argued that they were free from "**abuses, of excrescences**" to quote Lenin, who considered the abolition of exchange and exchange value a necessity, as reforming them to just "not be bad" is not possible.

It needs to be remarked (before we move onto "The Tax in Kind") that this is what Rosa Luxemburg also comments upon in her 100,000 word work, "[Introduction to Political Economy](#)," which is overwhelmingly important, yet underappreciated. It is surprising how wonderfully everything links together (it's as if we're correct!): Mattick remarked about Kautsky's positive reception of Classical Economists (in matters where they were ruthlessly destroyed by Marx) and we see this being a pattern, because Luxemburg takes

note of the “leading socialists” that thought more or less the same:

*“A number of leading socialists in the first half of the nineteenth century were still of the same opinion. When scientific political economy was created and Smith and Ricardo made the great discovery that all commodity values were based on human labor, [5] some friends of the working class hit on the idea right away that **if commodity exchange were conducted correctly, there would necessarily be complete equality and justice in society.**”* (emphasis mine)

Luxemburg discusses how, upon discovering that money conceals the real origin of wealth, which is labour, attempts to do away with money were made (she lists extensive historical examples, groups and people who theoretically and practically undertook this task in the paragraphs following this extract). However, obviously due to the same reason Lenin faults Proudhon, it ended in a failure. That’s why Luxemburg concludes:

*“But these attempts rapidly went bankrupt, along with the theory behind them. **Commodity exchange without money is in fact inconceivable**, and the price fluctuations that these people wanted to abolish are in fact the only means for indicating to commodity producers whether they are making too little of a particular commodity or too much, whether they are spending more or less labor on its production than it requires, whether they are producing the right commodities or not. If this sole means of communication between the isolated commodity producers in the anarchic economy is abolished, they are completely lost, being not only struck dumb, but blind into the bargain. Production necessarily comes to a standstill, and the capitalist tower of Babel shatters into ruins. **The socialist plans for making capitalist commodity production into socialist simply by the abolition of money were thus pure utopia.**”* (emphases mine)

Hence, we know historically, that there have been the aforementioned “Proudhonian” trials to purge Capitalism of its issues without eliminating the precise categories that gave rise to them. Of course, all of them failed due to their utopian character, as Luxemburg explains. Conveniently, we can also draw from here that a socialist society must therefore destroy all semblances of money — doing away with money without doing away with the vital components of

capitalism (commodity production being one) does nothing and will result in the continued existence of Capitalism.

Interestingly, we must note the connection between Luxemburg and Lenin on this account: both of them in their respective works (“Introduction to Political Economy” and “Critical Remarks on the National Question”) seem to emphasize the same issues and deem the “solutions” of the Proudhonians “utopian.” This is not really surprising per se, as we are well aware of the honest and revolutionary Marxism of both Lenin and Luxemburg and cast no shadow of doubt on the clarity of their analysis, but it’s still fascinating to draw a parallel between their two works, which are so alike both in contents and phraseology, even though they most likely didn’t come across the aforementioned writings of each other. She continues:

*“As we have seen, however, it is nothing else than the **simple effect of commodity production** [note, that this comments upon commodity production, and not any “type” of it, being simple or capitalist — ed.] **and exchange that led to these results** [poverty and inequality]. The law of commodities, which rests formally on complete equality and freedom, produces by iron necessity, without any intervention of statute or force, a glaring social inequality such as was unknown in all earlier conditions based on the direct rule of one person over another. For the first time now, direct hunger becomes a scourge inflicted daily on the life of the working masses. And this is also explained as a law of nature.”*

Thus Luxemburg concludes that commodity production must necessarily produce social inequality and other horrible ailments society suffers from, even though the bourgeoisie prefers to ascribe this all to human nature and logical laws of this world. Her comments on commodity production in “The Accumulation of Capital” and the subsequent “Anti-Critique” warrant an article of its own, so we shall omit them here for now and get back to Lenin.

To add onto Luxemburg’s interpretation of Commodity Production, we can once again cite her Accumulation:

“Marx had to establish a dynamic distinction in the course of history between the commodity producer and the labouring man, in order to

distinguish the twin aspects of labour which appear static in bourgeois economy. He had to discover that the production of commodities is a definite historical form of social production before he could decipher the hieroglyphics of capitalist economy. In a word, Marx had to approach the problem with methods of deduction diametrically opposed to those of the classical school, he had in his approach to renounce the latter's faith in the human and normal element in bourgeois production and to recognise their historical transience: he had to reverse the metaphysical deductions of the classics into their opposite, the dialectical."

Thus, according to Luxemburg, "the production of commodities is a definite historical form of social production."

Now, we arrive at the "Tax in Kind," which Hakim utilizes dishonestly. It could've also been an honest mistake, but nevertheless, he deduces incorrect conclusions from it. He says:

"The existence of numerous modes of production can be present at one time, or different times within a single nation, as Lenin illustrated in the aforementioned essay [the Tax in Kind]."

This is not correct, **not because such a thing is impossible** — Lenin demonstrates that in Soviet Russia, state capitalism, traces of socialism, etc., prevailed at the same time, but because it ignores how Lenin prefaced this exposition:

*"No one, I think, in studying the question of the economic system of Russia, has denied its transitional character. Nor, I think, has any Communist denied that **the term Soviet Socialist Republic implies the determination of the Soviet power to achieve the transition to socialism, and not that the existing economic system is recognised as a socialist order.**" (emphasis mine)*

Now, the point Hakim was trying to make is a little unclear, but whatever it was, the claim that different modes of production can coexist is correct, **however**, especially in this case, **it is still capitalism**. Just because there are traces of nascent communism, doesn't make this order not capitalist, as demonstrated by Lenin above. And I am positive Hakim was not trying to imply that due to this, past "socialist projects" were Capitalist.

Nevertheless, this extract is an in-quotation from Lenin's 1918

pamphlet, upon which he expands and builds on in "The Tax in Kind." After finishing to quote his previous work, Lenin **still** implies, that even 3 years later, the capitalist system prevailed. He says:

"The tax in kind is one of the forms of transition from that peculiar War Communism, which was forced on us by extreme want, ruin and war, to regular socialist exchange of products." (emphasis mine)

We see here, that Lenin distinguished from socialism even the present order, that of 1921, a transitional period, which was meant to lead **to regular socialist exchange of products**, meaning that this socialist order has not yet been "achieved." [6] He continues:

"The latter, in its turn, is one of the forms of transition from socialism, with the peculiar features due to the predominantly small-peasant population, to communism. [...] That the small-peasant "structure", partly patriarchal, partly petty bourgeois, predominates in a small-peasant country is self-evident. It is an incontrovertible truth, elementary to political economy, which even the layman's everyday experience will confirm, that once you have exchange the small economy is bound to develop the petty-bourgeois-capitalist way." (emphasis mine)

Now, this extract is not only important in understanding why Lenin considered Soviet Russia a non-socialist order, but also to analyse why the revolution wound up the way it did. As he admits, upon the introduction of exchange, the small economy will develop the petty-bourgeois-capitalist way, making such a formation inevitable, unless actively fought against.

Lenin ends his analysis in this pamphlet on a high note:

"Exchange is freedom of trade; it is capitalism."

The Division of Labour and Alienation

Earlier in the article, I mentioned how the concept of labour division and its role in commodity production is an important part of our analysis. We will talk about this very briefly purely for informational purposes, as to clarify certain confusions.

The first point of order is to realize that Capitalism not only enslaves and exploits those who work under it, but also dehumanizes and

robs the members of the ruling classes of their human semblance as well, making humanity as a whole completely subservient to it, playing puppet master. Engels remarks in the "Production" section (III) of Anti-Dühring:

"And not only the laborers but also the classes directly or indirectly exploiting the laborers are made subject, through the division of labor, to the tool of their function: the empty minded bourgeois to his own capital and his own insane craving for profits; the lawyer to his fossilized legal conceptions, which dominate him as an independent power; the "educated classes" in general to their manifold species of local narrow-mindedness and one-sidedness, to their own physical and mental shortsightedness, to their stunted growth due to their narrow specialized education and their being chained for life to this specialized activity — even when this specialized activity is merely to do nothing."

The division of labour, while advantageous to some degree, plays a fundamental role in alienated labour. In his "[Economic and Philosophic Manuscripts of 1844](#)," Marx described this process in great detail:

"The accumulation of capital increases the division of labor, and the division of labor increases the number of workers. Conversely, the number of workers increases the division of labor, just as the division of labor increases the accumulation of capital. With this division of labor on the one hand and the accumulation of capital on the other, the worker becomes ever more exclusively dependent on labor, and on a particular, very one-sided, machine-like labor at that. Just as he is thus depressed spiritually and physically to the condition of a machine and from being a man becomes an abstract activity and a belly, so he also becomes ever more dependent on every fluctuation in market price, on the application of capital, and on the whim of the rich. Equally, the increase in the class of people wholly dependent on work intensifies competition among the workers, thus lowering their price. In the factory system this situation of the worker reaches its climax."

Humanistic in his approach, Marx observes the links between the division of labour and capital accumulation, both of which drive each other more and more immensely. This causes the worker to be increasingly dependent on labour alone, turning him into a machine-

like entity. All of this, of course describes the process of alienation.

There isn't much critique to be put here. The division of labour has existed for as long as labour has, albeit in vastly different forms.

Communism would transcend this phenomena, as Engels said in the [**"Principles of Communism"**](#):

"The division of society into different, mutually hostile classes will then become unnecessary. Indeed, it will be not only unnecessary but intolerable in the new social order. The existence of classes originated in the division of labor, and the division of labor, as it has been known up to the present, will completely disappear."

This goes hand-in-hand with Marx's remarks on the division of labour in the "Critique of the Gotha Program." The division of labour, once a natural occurrence, was torn apart and molded into organized, industrial division of labour, completely estranged from the producers. As the division of labour becomes voluntary, humanity is compelled to move away from necessity and enter freedom.

The USSR had profit, capital accumulation, commodity production and all such categories; So, it's difficult to follow Stalin's analysis on how the Soviet Union was free from exploitation and misery. The fact that all of these cannot be abolished at a stroke is completely irrelevant here — we all are well aware of this. Our problem precisely lies with passing this off as a socialist order, instead of carrying out an honest analysis, culminating in the admittance of the Soviet Union being Capitalist.

Refutation Of The Soviet Union Being A "Non-Capitalist" Order And Other Related Arguments

I also wanted to very briefly look into chapter VII of "[**The Marxian Concept of Capital and the Soviet Experience**](#)," a book also by Parsh Chattopadhyay, which takes notice of the very interesting trend — common in non-capitalist circles — to juxtapose "market anarchy" and "central planning" and use them almost synonymously with Capitalism and Socialism. The reason why I thought including it would've been appropriate is, that many Marxist-Leninists tend to hold such opinions. They believe, that nationalization,

collectivization, central command of the economy and such is a signifier of Socialism, even though this can easily be dispelled by Engels himself. Discussing this would also completely debunk Stalin's thesis that in the USSR, there is no "spontaneous capital flow and no law of competition," which makes profit and similar categories socialist. Chattopadhyay also addresses the "guaranteed employment" from the state and similar arguments Hakim made in his video.

Citing all of this here would add at least 10 more pages to the work, thus we must abstain from it right now. I urge the readers to check out at least Chapter VII of the aforementioned book to understand and be able to respond to these erroneous arguments.

However, we can discuss Peter Hudis' arguments against dividing Capitalism and Socialism as "Market Anarchy" and "Planned Economy" respectively in a brief manner. We'll let this wonderful theorist and the leading scholar of Rosa Luxemburg (currently editing the Complete Works of Rosa Luxemburg) take care of this improper talking point without much elaboration, as it's already sufficiently clear. Writing in his paper "[**Rosa Luxemburg's Concept of a Post-capitalist Society**](#)," Dr. Hudis says the following:

"The predominant view in the Second International, and in much of what called itself 'Marxism' in the decades that followed, was that capitalism is defined by the 'anarchy of the market' and socialism is defined by collective or state control of the means of production. [...] This juridical counterpoising of plan vs planlessness as the absolute class opposites falls far short of Marx's view of socialism as the abolition of value production through 'freely associated' labor'. [...] It is not the 'anarchy' of the market that is the decisive issue in capitalism, but rather the despotic plan of capital at the point of production. The 'anarchy' of the market, which is indeed a determining factor in social life, conceals, according to Marx, the determining factor of the forced character of alienated labor. While Luxemburg fully understood, in general, the priority of social relations of production over exchange and the market, when it came to her specific enumeration of the dynamics of capitalism she emphasized the 'anarchic' character of exchange to the point of contending that there is 'the disappearance from the [capitalist] economy of any kind of plan or

organization'. Influenced as she was by the prevailing orthodoxy that treated 'anarchy' and 'despotism' as absolute opposites instead of as mutually reinforcing tendencies, the despotic plan of capital at the point of production dropped out of sight. [...] Once capitalism becomes predominant, it can persist long after 'market anarchy' is overcome; so long, that is, as the despotic plan of capital at the point of production is left intact. Marx himself pointed to this in Capital, in noting that even the concentration and centralization of capital in a single hand which would, of course, mean the effective end of an 'anarchic' market would not change by one iota the logic of capital. [See Marx, Capital, Vol. I, op. cit., p. 779: 'In any branch of industry centralization would reach its extreme limit if all the individual capitals invested there were fused into a single capital. In a given society this limit would be reached only when the entire social capital was united in the hands of either a single capitalist or a single capitalist corporation'— 10th footnote by the author]"

Thus we see that it isn't entirely accurate to measure capitalism by market anarchy or socialism by the degree of planning. In the 9th footnote, Dr. Hudis opines how odd it is to make this mistake, given that Marx had laid out the following in Capital Volume I:

"All directly social or communal labor on a large scale requires, to a greater or lesser degree, a directing authority, in order to secure the harmonious cooperation of the activities of individuals, and to perform the general functions that have their origin in the motion of the total productive organism, as distinguished from the motion of its separate organs. A single violin player is his own conductor; an orchestra requires a separate one. The work of directing, superintending and adjusting becomes one of the functions of capital from the moment that labor under capital's control becomes cooperative [...] If capitalist production is thus twofold in content, owing to the twofold nature of the process of production which has to be directed one the one hand a social labor process for the creation of a product, and on the other hand capital's process of valorization in form it is purely despotic."

A Few Conclusions

As we near the end of this article, we need to address something Hakim doesn't fail to mention, as it's a common argument used by

Marxist-Leninists: "Commodity Production is not a button you press to switch off" or "it was necessary due to the material conditions" (not actual quotations from Hakim, just paraphrased arguments both from the video and from many discussions the author has had with Marxist-Leninists). Actually, you will not find many people, including me, contesting this — we are aware that there is no commodity production button and that it cannot be wiped away in a snap in any given situation. What we do contest, is calling **this** socialism. Lenin too acknowledged the need to utilize capitalism (especially in "The Tax in Kind"), but **didn't fail to mention that this was not socialism**. That is precisely what Marxist-Leninists lack, and what we affirm time and time again. Our main criticism doesn't revolve around how Stalin exploited rhetoric or how he wrote ahistorical expositions. Lenin knew that the Bolsheviks were enforcing a certain type of Capitalism during the course of the revolution (even though substantial attempts at suppressing the Law of Value and Commodity Production were made), as a sudden leap into socialism cannot be made. But he repeated over and over again, with honesty of analysis and clarity of rhetoric, that these categories were capitalistic, necessary and unavoidable, for reasons such and such. He never once pretended to be "doing socialism" or lied to his own people about the conditions they were being led to. This is why many anti-Stalinist Marxists have a great deal of respect for Lenin, and why there exist anti-Stalinist Leninist tendencies, as exemplified by the ultra-Leninist Bordiga. As Tsushima says: "Stalin should have acknowledged that if the law of value has not withered away, a society is far from being socialism." Had he done this, he *likely* would've been no different from the great revolutionaries of his age (of course, by allowing for the fact that Stalin wouldn't have falsified Marxist theory, we assume that he would be a good faith actor and abstain from other "mistakes" made during his rule). But he chose to publicly, consciously and shamelessly falsify Marxism to suit his own agendas, and this merits no respect.

Before concluding, I mentioned in the introduction of this article how Stalinist arguments "usually include out-of-context passages from Marx's "Critique of the Gotha Program" and the repetition of "birthmarks of capitalism" ad nauseam." I want to expand on this a

little bit, once again with the help of our faithful comrade Tsushima. In the very same piece we spoke of earlier, he clarifies the “birthmarks of the old society” section of Critique of the Gotha Program. He inquires, if the “birthmarks of the old society” remaining in the distribution relations of socialist society mean that abstract human labor remains as the substance of value and that the law of value remains. Of course, as any sane Marxist would, he answers in the negative. He even mentions, that some people have tried to “show that the bugaboo example of a ‘transfigured law of value’ is such a case” but not only Tsushima, we can too ourselves deduct that this is nothing but silliness.

He then quotes the following part of Marx’s “Critique of the Gotha Programme”:

“Here [in the distribution relations in socialism based on the equal exchange of labor] obviously, the same principle prevails as that which regulates the exchange of commodities, as far as this is exchange of equal values. Content and form are changed, because under the altered circumstances no one can give anything except his labor; and because, on the other hand, nothing can pass to the ownership of individuals, except individual means of consumption. But as far as the distribution of the latter among the individual producers is concerned, the same principle prevails as in the exchange of commodity equivalents: a given amount of labor in one form is exchanged for an equal amount of labor in another form.”

Tsushima explains, that in the exchange of equal labor within socialistic distribution relations, “the same principle prevails” as that which regulates the exchange of commodities, as far as this is exchange of equal values. This is what is actually meant when Marx and Lenin talk of birth pangs, bourgeois laws and unavoidable defects — the lower stage would reluctantly have to maintain some pre-socialist attributes, but here we are aided by Engels to clarify that this doesn’t mean the existence of commodity production or value, and all that is left and encompassed by these “defects” are purely mechanistic, so to speak (an example being “balancing of useful effects and expenditure of labour on making decisions concerning production” from Engels himself).

Tsushima finishes off with:

"In the world of commodities, abstract human labor is the substance of value, the measure of its intrinsic value. The magnitude of value is gauged by the quantity of this labor, and the quantity of the labor itself is measured by the continuous period of time during which it is carried out. As long as commodity exchange is the exchange of equal values, included within this exchange are equal quantities of social labor. In the case of the distribution relations within socialism (i.e. relations where the producer "receives a certificate from society that he has furnished such-and-such an amount of labor...and with this certificate, he draws from the social stock of means of consumption as much as the same amount of labor cost" so that the "same amount of labor which he has given to society in one form, he receives back in another") the "same principle" as the case of the exchange of commodities of equal values applies. In other words, equal quantities of labor are exchanged. (The labor exchanged in this case is abstract human labor, and could not be the measure of exchange otherwise. Here "abstraction" is carried out as a social action, which is why Marx speaks of the "same principle" prevailing.)"

Here, he is being perfectly clear and warrants no commentary here.

Hakim tries to reiterate Stalin's arguments of why commodity production exists under socialism, but as we've shown above — and pretty extensively so — this is not quite true. In his video, Hakim says some correct things, but what it comes to the controversial topics, he tends to talk with half-truths, which can be worse than lies, as they're masked as facts and can easily deceive an inexperienced listener.

The author hopes that his point was sufficiently clear, and even if the reader is not convinced, I have provided plenty of materials and reference points for anyone who wants to conduct their own research and explore this part of Marxism independently.

Footnotes:

[1] I have also translated a Russian article "Proletarian Internationalism and the World Revolution" authored by V.I. Dyachenko which (in part) deals with these apparent "contradictions" within Lenin, with a greater emphasis on the so-called theory of

“Socialism in One Country.” This article will also be available soon.

[2] Hakim later clarified in the comment section of my video, saying: “You don’t like my comment on Soviet money, directly assuming I was making a labour-voucher argument (I wasn’t)” to which I responded with “I mentioned that you might’ve thought — instead of Roubles being labour vouchers — that Soviet money simply functioned differently than its Western counterparts. You didn’t offer much detail (understandably) so I devoted some time to explaining both PoVs, also because I’ve seen the former point be echoed in ML circles.” Nevertheless, the argument stands regardless of it being said in the context of the west or the east: money=money, even if the flag it functions under is red.

[3] Peter Hudis also elaborates on the concept of direct and indirect labour while tackling the issue of what characterizes high and low stages of communism in his magnificent and highly recommended article [**“Directly and Indirectly Social Labor: What Kind of Human Relations Can Transcend Capitalism?”**](#)

[4] Note, that the formatting of this letter on Marxists.org is incorrect, which will confuse the reader. For the correct version, refer to the [**PDF version of the 44th volume of Lenin’s Collected Works**](#) (page 294 in the linked document).

[5] Not to be confused with the Lassallean formula of labor being the source of all *wealth*. Interestingly, Luxemburg criticised some of Lassalle’s theses in her work on political economy too, at the time when Marx’s Critique of the Gotha Program (“rediscovered” by Lenin in 1917 and only entering usage after that) was virtually unknown.

[6] There is an interesting group of people that claim to be Marxists that are known as “Dengists” (as they’re following the theoretical contributions and analysis of Deng Xiaoping, a Chinese politician who was the leader of the People’s Republic of China from 1978 until his resignation in November 1989) who try to say that the New Economic Policy (the reason why the “Tax in Kind” was written) was not capitalism or capitalistic, and that it resembled what China is doing today. The obvious point they’re going for is a trial to somehow encompass the Chinese status quo in the category of “socialism” but

as we have shown above, Lenin clearly didn't consider the NEP non-capitalistic, let alone socialist.