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The Theory & Practice of Socialism

By

John Stacey

first published in Nov. 1936.

Emancipation of labour is the only
 worthy object of political warfare ~~that~~
 that those who till the soil shall be
 its first masters, that those who raise
 food shall be its first partakers,
 that those ^{who} build mansions shall live
 in them -----

George Tulwar Harney

PART I

The Economic System

Chapter I.

Capitalistic Production For Profit.

By Capitalism we mean an economic system under which the fields, factories and mines are owned by individuals and groups of individuals. These means of production, as they are called, are worked by those who do not own them, for the profit of those who do. Under Capitalism it is profit-making, not love, that makes the world go round.

But profit-making is not only the incentive it is also the regulator of Capitalist production. Under Capitalism it is not only the object, it is the very condition, of production that a profit should result. Those things, that is to say, which will yield a profit can & will be produced, but those things alone.

Now the test of profitability ensures that those

Things, and only those things, for which there is a demand shall be produced. Profit is, as it were, a magnet which draws production after demand.

It (the Capitalist system) seems to contain in their ingenious device of drawing production after demand by the magnet of profit a method of ensuring that all our productive resources should be used to the very best possible advantage. And this is just what ~~Admirers~~ admirers of the Capitalist system claim for it. They claim that under it just those goods & services which most people most want, & no others, are bound to get produced.

We, Communists and Socialists, wish to abolish Capitalism because Capitalism does not give the above admirable result. The goods which most people most want are not produced. In contemporary Britain & America goods and services for the lack of which many millions of men

slowly perish are not produced, and, instead, goods which only a few people want only a little, are produced.

Moreover, Capitalism now from time to time produces substantial quantities of things which the rich do not want and the poor cannot pay for, and which consequently have to be destroyed. Such abominable absurdity as the deliberate destruction of food, when very many people are under-nourished, is an example in point.

But, as a matter of fact, this dramatic type of breakdown is a less serious matter than is Capitalism's now chronic inability to allow many of us to produce anything at all. According to a careful survey made ~~in 1929~~ by a number of conservatively minded American economists and statisticians, of what ~~was~~ the actual capacity of the American people to produce, ~~in 1929~~

~~and accordingly~~ the American people used their productive resources to 81 p.c. of their capacity in 1929. And in the immediately following year they used them to under 50 p.c. of their capacity.

There are no comparable figures for Britain. But the level of British unemployment gives us some idea of the extent of Britain's unused productive resources.

In any case, what is the exact percentage of our productive resources which we cannot at present use at all is not the important question. The point is that this proportion has long been, & is now, substantial. For this means that we now lack all the goods & services which these idle resources could & would have produced, if we had used them. The British & American men & machines which have stood idle, & which now

stand idle, could have produced those houses, that food, those clothes, those educational facilities, those medical services etc, etc, for the lack of which either we or the people whom we see around us at this moment suffering so bitterly.

Thus waste is today the most striking of all the characteristics of Capitalism.

In Britain, which is at the moment (1936) probably ~~the~~ richer and more prosperous of than America, two-thirds of the population have incomes averaging £25 per head per year [£74 is the average income per head of the population]. ^{Lloyd Bank Monthly Review for July 1934} The ocean of human suffering involved in such poverty is now totally unnecessary. It is a result, not of our inability to produce an adequate supply of goods and services, but of the failure of our existing economic system.

The simple truth is that general plenty and security are now possible both in Britain & America. --- In the year 1934 the Govt of the U.S.A. appointed a Committee to inquire into the capacity of American industry & agriculture to produce goods and services. In Feb. 1935 this Committee issued its report. It found that every family of four persons could provide itself with £9/5 a year, at 1929 prices, if America's productive resources were used to the full & their product equally divided between all families.

Unnecessary destitution is not the only disastrous effect produced upon us by the malfunctioning of Capitalism. Almost more than plenty itself, the people of Britain & America desire security. Their lives are dominated even more by the fear of want than by

want itself. The people of Britain & America, with the exception of the very small minority of the securely rich, & of the larger number of the actually & presently destitute, live under the more or less imminent, & always awful, threat of destitution. . . . For the violent & unpredictable fluctuations of trade which now more & more characterize our economic system fling about & capsize their little enterprises as row-boats are tossed by the Atlantic.

Whichever of the other ills of men are inevitable their extraordinary economic insecurity is needless. The particular standard of life which our existing means of production would make it possible for us all to enjoy, if we used them to the full, is disputable. But what is not disputable is that we could use our existing means of

production to give us all some definite, stable
& secure standard of life. There can be no
necessity for the sickening oscillations of
our present economic system.



Socialist Production For Use

"Human beings must first of all eat, drink, shelter and clothe themselves before they can turn their attention to politics, science, art and religion" (Friedrich Engels' speech beside the grave of Marx).

If we reject the self-acting mechanism of profitability, as too unjust and too wasteful, we must find some other mechanism of regulation. The sole alternative method by which complex, highly developed, economic systems such as those of Britain and America can be regulated is by means of the deliberate decisions of some central body as to what goods, and how many of each of them, shall be produced. The organisation of production by means of such conscious decisions is called a system of "planned production for use". This is the type of economic system now being

built up in the Soviet Union. It is socialism.

The aforementioned authors of the National Survey of Potential Product Capacity set out with the limited purpose of discovering what was the real productive capacity of American industry and agriculture, without reference to any particular economic system. Their enquiry was to be, they imagined, strictly technical and statistical. Nothing, surely, was further from their thoughts, or from those of the American Government ~~whereas~~ where it appointed and financed them, than any idea of demonstrating how a planned economic system — how, in other words, socialism — would work in the U.S.A. And yet this is just what they did demonstrate.

They interpreted their terms of reference to mean what was the capacity of the American production system to satisfy the needs

of the American people. This naturally involved ascertaining what the needs of the American people were.

As soon as the Capacity of the American people themselves with food, clothing, motor cars and a hundred other kinds of goods & services was investigated, it became apparent that it was impossible to say to what extent their needs could be satisfied unless the investigators could decide, not only the productive capacity of America's basic industries, but also what use was going to be made of the products of such basic industries. Accordingly, they re-allocated all the extra supplies of raw materials and semi-finished goods which the capacity working of America's basic industries would have produced; they allotted these extra supplies, not in proportion to the uses which actually were made of such goods in 1929, but to other uses which the authors

of the report thought more desirable.

And to do this considered to be economic original sin. For it means breaking irrevocably with the Capitalist system, the test of profitability, & the self-adjusting mechanism which this test provides.

But how, we ask at once, did they decide what were the more, & what the less, desirable uses for these supplies? They evidently worked on the assumption that it was more desirable to use available supplies in the way which best satisfied visible and urgent human needs — such as the need for decent dwellings to live in; that it was less desirable to use them in a way that satisfied less urgent human needs — such as the need to have towers to look at.

Before they had gone very far with their

investigation they found themselves working out a comprehensive budget of the needs of an American family. Then they worked back, through the productive system, & engineered whether or not there existed resources of production which ^{could} ~~could~~ be used to supply the goods and services necessary to meet these needs. They came to the conclusion that such resources did exist. But some of these resources would have to be re-allocated and used according to a plan. They would have to be used according to a plan which provided that the available raw materials and semi-finished products should be finally fabricated into the particular goods, & no others, which they had laid down in advance when they made out their family budget.

Two considerations made it possible for the authors of the N.S.P.P.C. report to show how

the planning of the economic life of a great industrial nation could be accomplished

The first factor which makes possible our estimation in advance of consumer's real needs, is the fact that we know what people have consumed up till now. There is little difficulty in discovering how much food, medical attention, education, clothing etc. the population has consumed in the past year. We know that this standard of consumption was unsatisfactory. Still, it gives us a basis to go on.

The second factor is the existence of a certain number of families who can now buy the things which they need & want. The consumption of the immense majority of families is most unsatisfactory; but there do exist in our modern communities certain classes of

people whose consumption is quite satisfactory. We are not thinking of the very rich, whose consumption is of a peculiar and fantastic nature, but of the professional classes in prosperous times.

With the aid of these two guides it is possible to estimate what people would like to have produced for them, & then to allot the available resources of production in such a way that this quantity of goods & services will be produced. This is possible, that is to say, to satisfy people's needs by this method, instead of the present method of allowing production to follow the pull of demand.

This first budget will be based upon the existing output of such goods with the additions indicated by the better-off classes, do now consume and the realization of this production programme.

will be made possible by utilizing those
 productive resources at present grossly mis-
 directed, or unused altogether by Capitalism.
 But only the first Budget need be made
 up in this way. All subsequent budgets
 will be merely corrections of the miscalcula-
 tions discovered in the first. For mis-
 calculations there will certainly be. The
 planning authority will be sure to provide
 say, too many new motor cars & not
 enough wireless sets, or too many trans-
 port facilities & not enough sports
 clothes, etc, etc. Such errors will
 show themselves in that at the end of the
 year some motor cars, for example, will
 be left over, while the stock of wireless
 sets will be exhausted before the end of the
 year. But this error will not be allowed

to affect the respective prices of the two goods, raising the price of wireless sets & lowering the price of motor cars. Their respective prices which will be based upon their respective costs of production will only be varied by the conscious & deliberate decisions of the planning authority.

Such corrections will be made not only in order to remedy errors & miscalculations on the part of the planning authority, but also in order to meet the development of new methods of production & the changes in ~~public~~ public taste which will be associated with these developments.

Chapter III

Planning.

A planning authority has another task, however. And this is to decide the proportion between the quantities of Consumers' goods, on the one hand, & of means of production, on the other, which shall be produced in any given year.

Consumers' goods are, as their name implies, the things which we all consume, boots and shoes, milk and meat, & the like. Means of production, on the other hand, are the things which produce the Consumers' goods, things like lathes and cranes, machine tools and power stations, goods which no one can consume, in the sense of satisfying their want directly from them. Now every society must produce some Consumers' goods, or it will immediately starve to death, &

some means of production, or it will be unable to go on producing consumers' goods, & will ultimately starve to death. We may put it like this: a Community must direct at least enough of its productive resources to making ^{means} ~~means~~ of production to prevent its existing stock from wearing out quicker than it is being replaced.

Here then is a very real choice which face any Community. We may express the choice like this. How much of its resources shall the Community devote directly to satisfying its needs here & now & how much shall it devote to building up means of production which will, in the future, but only in the future, satisfy these needs far more plentifully?

Under Capitalism, this proportion is settled by the proportion in which its citizens spend & save.

their money incomes. For where a man saves
 he does not throw the money down the drain;
 he invests it. And investing money means
 buying means of production instead of buying
 consumers' goods. When, for example, an
 investor buys shares issued by a Company
 which generates electrical power, his money
 is used to buy a turbo-generator, or
 some transmitting cable, or means of pro-
 duction of some kind. But if he had spent
 his money he would have used to buy units
 of electrical power or some other kind
 of consumers' goods. Hence the more people
 save, & the less they spend, the larger is the
 demand for means of production, & the
 smaller is the demand for consumers' goods
 (vice versa). And productive resources, led
 by the magnet of profit, follow the pull

of demand, & more, in this case, away from the making of consumer goods, to the making of means of production.

But the thing ~~also~~ just happens. For the proportion in which the whole community spends & saves, its income depends upon the decisions of innumerable individuals & corporations. No body decides upon this proportion. It is the blind result of the balancing of millions of different decisions.

A socialist economic system, however, must settle this question by the conscious, deliberate decision of a planning authority, set up and controlled, of course, by the whole community.

Capitalism ^{cannot} today distribute to the population these consumer goods which it could so easily produce.

"But", anti-socialist writers say, "the same thing will happen in the Soviet Union as soon as it has completed its task of industrialization, & begins to turn its attention to increasing its output of Consumers' goods. A glut will surely follow; unemployment will re-appear; ^{then} they will have to burn the wheat of the steppes as well as of the prairies; shirts will rot in Russian as well as Lancashire ware-houses, while Russian as well as Lancashire backs are bare".

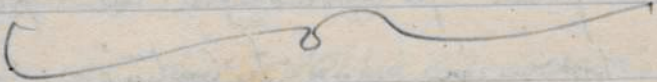
Those who think in this way have failed to notice the reason why Capitalism cannot distribute anything approaching their possible output of Consumers' goods. It is, as every businessman knows to his cost, simply & solely because an increased quantity of

consumers' goods cannot be sold at profitable prices. In other words, our inability to dis-
~~tribute~~ tribute is a direct consequence of our
 system of production for profit. (See Chap. VIII)

In no circumstances could a
 situation arise in which a socialist economic
 system possessed all the physical means for
 producing & distributing goods, & yet could
 not put the goods into people's hands. The
 Capitalist system can get into this extra-
 ordinary predicament only because it must
 produce, if it is not to become utterly chaotic
 only those goods the production & distribution of
 which will yield a profit.

In a socialist system of planned
 production for use, one of the essential, although
 one of the easiest, tasks of the planning authority
 is to arrange for the issue of just exactly

the right amount of money to buy, at the prices fixed, all the goods and services which the community can produce in any given year. Thus the only limit to the market in a socialist ~~city~~ society is the real need of the population for goods & services.



Chapter IV

The Existing Socialist System of Production.

For a variety of reasons it did not prove possible to put the economic life of the Soviet Union on to anything which can be called a fully planned basis until the year 1928. The first step towards doing so was taken when every type of organisation within the Union was required to send to the State Planning Commission complete information as to its output of products, its consumption of raw materials, its employment of labour, etc, etc, during the past year & its proposed output, consumption, employments etc during the coming year.

The first step in creating the plan is thus not to coerce the productive organisations, but to consult them; to ask them what they propose to produce during the coming year, and what

supplies of raw material, equipment, skilled & unskilled labour they estimate that they will need for the job. Their replies when put together, make what is in a sense the very first draft of the plan. --- But this first, embryonic, draft may be, & indeed almost certainly will be, lacking in self-consistency. The building industry, for example, may be demanding 25 p.c. more skilled brick-layers than exist. Accordingly Goxplan, as the State Planning Commission is called in Russian, must begin its complicated task of making the draft plan self-consistent. It must see to it that the Total demand for, say, steel and coal, put in by all steel and coal consuming industries, equals the proposed Total output of steel and coal, minus the output used for domestic consumption.

We must notice the character of these productive organisations. For these are the basic units of a socialist economic system, the socialist analogues of the firms, farms, partnerships, joint-stock companies, corporations, and trusts of the Capitalist world. These organisations fall into three main categories.

First, there are governmental agencies — State, regional or municipal enterprises. This form predominates in productive industry proper. It accounts for ninety-nine-hundredths of the output of ~~new means of~~ new means of production, & of a smaller but still predominating percentage of the output of consumers' goods. [These governmental productive agencies may be defined as organisations in which the means of production & the raw materials used are owned by the community]

as a whole, or by a regional government (as the govt of one or other of the federated Republics of the Soviet Union such as the Ukraine, or the Karelian Republic), or by a municipality, and in which, consequently, the employees work for wages. But they are themselves of several different kinds, of which the "Combine", consisting of a group of mines or factories is now the most important type.]

Second, there are Consumers' Cooperative societies, constituted upon the same general lines as British or Western European Consumers' Cooperative societies, except they do not pay cash dividends on the purchases of their members. This form of organisation is important in what we call the distributive trades; in retail, & to a less extent in wholesale, selling. It has no

monopoly of these spheres, however, since various governmental agencies carry on the whole-sale and retail selling in the towns. On the other hand, Consumers' Cooperative societies (as in Britain) have penetrated into the field of the production of Consumers' goods.

Third, there are Producers' Cooperative Societies. ~~There are now numbering 25000 in agriculture alone.~~ There are organisations of workers who, as a group, own and control their own means of production & raw materials, instead of working for co-ops with means of production & on raw materials owned by the Community as a whole, as do the workers in State or municipal agencies. Moreover, these workers, since they themselves own their enterprises, receive, instead of wages, a dividend which represents their share (usually calculated according to the amount of work

which they have done) of the total price
 realized for the product of their enterprise.
 The essential sphere of these producers' Co-
 operatives is agriculture. For the Collective farms,
 which, to the extraordinary number of a quarter
 of a million, now cover the surface of the globe
 from the Baltic to the Pacific, are Producers'
 Cooperative Societies. But this form of organi-
 zation is not confined to agriculture; it plays
 a subordinate but useful role in industrial
 production, where "artels", or Producers'
 Cooperatives of artisans with the substantial
 membership of three million, are at work
 producing goods (such as toys) or services
 (such as house-repairs) and ^{those} types of mainten-
 ance and servicing which do not require
 large quantities of what we should call
 fixed Capital. On the ~~other~~ hand, this form

of organisation has no monopoly of agricultural production. For there exist some 10000 state farms which belong to the category of governmental agencies; for in them men work for wages exactly as in steel-works or print shops.

At through the nineteenth century repeated efforts to set up such organisations 'jointly owning their means of production' and dividing amongst themselves the full proceeds of the sale of their products, were made in Britain, France & America. They all failed. The experience of the Soviet Union has, however, now shown that the ideal of Co-operative production is an inherently sound one, if it is realized in a socialist environment. --- It is not, we now know, until large-scale industry has been socialized,

and until the capitalists have neither economic nor political power, that Cooperative productive enterprises of this type can succeed.

These, then, are the economic organisations, the output and needs of which must be planned by the Gosplan. It is their proposals — rendered self-consistent — which must be compared by the Commission with the proposals for the development of the national economy formulated by the Soviet govt. The Soviet govt, for its part, will have many ends in view which we may think of as extra-economic. It will not be solely intent, that is to say, upon maximizing the total wealth production of the Union. It will regard the plan as in one respect, at any rate, a plan for achieving certain given extra-economic purposes. One of these purposes must be for the present the defence of the Union.

from the return of the armies of these six Capitalist states which were ravaging her just sixteen years ago. Another is the provision of an ever more adequate supply of all the goods & services needed for raising with unparalleled rapidity the whole cultural life of the Community; the provision of schools and teachers, of text-books and paper, of pens and ink, of pamphlets and news-papers — on a scale adequate to the needs of 170 million persons. A third purpose will be the supply of the elaborate equipment and highly trained staff needed to raise & maintain an whole physical level of that vast population; to provide hospitals and doctors, X-ray apparatuses and Sanatoria, trained dentists with their apparatuses, & the thousands other things needful to an adequate health service. Finally, the Soviet Govt will have its view as to the general

Character of the coming year's plan, as to the degree of emphasis to be laid on the expansion of industries producing means of production relative to those producing consumer goods, and so on.

When the Govt's views have found expression in it, the Provisional Plan is ready. But this Provisional Plan is not now simply adopted by the Central Executive Committee of the U.S.S.R. Congress of Soviets & issued as an instruction. On the contrary, a second extensive process of consultation is now undertaken. The Provisional Plan is now formally submitted to each of the Commissariats or Govt depts, & is transmitted by them to each & all of the productive establishments the activities of which it will govern during the coming year. For this purpose

the plan is in effect cut up into many thousands of separate pieces, each of which is concerned with the proposed activities of a particular establishment. And each establishment studies in minute detail its own piece of the plan. Moreover it is not just the statistical office or even the administrative staff of each enterprise, which undertakes this study. The plan is submitted to the whole body of workers by hand & brain attached to the establishment. Conferences of the whole staff are held at which proposals for the plan's revision are discussed and often adopted.

The plan, with all the emendations proposed by all the institutions and enterprises of the country, is then sent back to the Gosplan, where for a second time a process of comparison & collation must be gone through so that no suggestion which would

Contradict any other is adopted. The resultant document is the final or definitive plan. It is laid before the Council of the People's Commissars and the Central Executive Committee of the U. S. S. R. (which roughly corresponds to our Cabinet & Parliament, or Congress, respectively). Upon its adoption by these bodies it becomes the law of the land.

The members of the Producers Cooperatives, owning their own plant and some, at any rate, of their own raw materials, might in theory refuse to fall in with the instructions of the Gosplan. In the field of industry the Producers' Cooperatives are relatively so small, and so dependent upon the large governmental agencies, that the point is unimportant. In agriculture, however, they enormously preponderate. And as they sell a great part of their

produce upon the market, in which competing bidders exist, they might feel unwilling or unable to produce the quantities and types of produce required of them by the Commission. The Commission & the Govt have it is true, a number of methods of influencing them. They may vary the incidence of taxation; they may act upon the relative prices which governmental agencies will bid for different kinds of produce; and they may vary the prices and the quantities of the industrial products supplied to the villages, which are the ultimate inducement to the collective farmers to produce a surplus above their own needs (plus taxation & payment for the services, such as ^{as} tractor ploughing, seed selection, etc, which governmental agencies perform for them).

All this, however, is something from $\frac{1}{2}$ and less than direct control. Moreover, the existence

of these numerous ~~co~~operative & individual producers for the market means that a large number of goods & services are distributed by means of exchange, between different producers, & not by allocation by the planning authority. It is important to make this distinction clear.

Since an important proportion of the productive establishments are owned, not by the State, but by their own members, an important proportion of the total annual product comes on to a genuine market, & is bought & sold, i.e., exchanged, between these organisations & between individuals. This system of socialist exchange, or trade, is not confined to the products of the producers' Co-operative societies. State agencies of production often make contracts by which

they buy a part of the product of either another state agency or a producers' cooperative society. Again, both forms of productive enterprise, in those cases in which they produce consumable goods, often set up direct retailing points (shops or stalls in an organized market or bazaar), in which they sell their products direct to the consuming public. Thus there exists a network of buying & selling (exchanging) of goods which never pass through the hands of the State as such, but move along a number of channels from their producers to their ultimate consumers.

Here we need only say briefly that commodities are caused to circulate without the typical characteristics of Capitalism appearing. At no point in the process is there the employment of wage labour for the purpose of making profit for any individual or group of individuals,

and secondly no act of purchase is made with the object of re-selling the goods obtained, at a profit to a third individual or organisation.

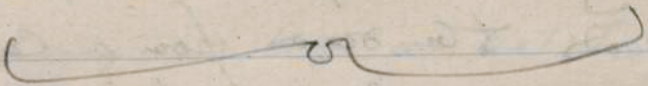
[This does not mean that a retailing organisation, such as a Consumers' Cooperative Society, may not buy an article from a factory & then re-sell it to its members. It may and does constantly do so, and is, of course, allowed to add to the article's price a sum sufficient to cover the ~~full~~ Cost of retailing. But what no organisation must do is to buy an article on the market with the expectation & the intention of reselling it, unchanged, at a profit. This is speculation & is one of the sins in the socialist Calendar.]

The advantages of this decentralization of the distributive system are clearly very great.

----- But it is no doubt, also true that the existence of this system of socialist Trading creates problems for the State Planning Commission. For example, it is clear that, so long as such exchanging exists, money is used as a mere ticket entitling its recipient to such a quantity of goods to be drawn from a centralized State supply. It remains for this purpose a medium of circulation & standards of value, which are very different things. In general it will be more difficult to control & so plan in advance such decentralized economic activities.

Experience seems to indicate, however, that the Gosplan is in effective control of the situation. The amount of production which it can control by direct instruction is so great, & the influence which it can bring to bear upon the co-operatives or

governments and individuals which produce
the remainder are so powerful, that it
appears to be able to do the essential
job of keeping any desired proportions between
the different types of goods & services
produced.



Incompatibility of the Two Productive Systems.

It is impossible to combine the Capitalist & socialist systems of production. You cannot have both profitability and the deliberate decisions of a planning authority as the criterion of what goods, and of what quantities of goods, shall be produced.

Let us say that a State planning Commission was set up in Britain or America to-day, while our existing social and economic was left otherwise unchanged. The Commission would have no difficulty, it is true, in finding both unused productive resources & unsatisfied human needs.

If production were profitable, the owners of the idle mills could readily obey the instructions of the Commission. In fact, they would be quite unnecessary.

If production were unprofitable, the operation of the mills would show a loss. The owners of the mills must either disobey the instructions or they must

cease to be the owners of the mills. For they will go bankrupt.

Hence, so long as our present economic system remains in existence it is quite impossible to organize production on the basis of a conscious, predetermined plan.

Every capitalist is nowadays confronted with the problem of trying to find a use for resources of production, which it has become unprofitable to use, & which, consequently, are standing idle. -- Now, when large-scale unemployment exists in a community, a mass of unsatisfied needs always exist also. One would expect that the unemployed would be put on to the obvious, ^{urgent} task of producing food and clothing & fuel & housing for the destitute. Instead, they begin an elaborate search for what are called "work schemes". For

the Govt cannot seriously invade the profit-making sphere without throwing the system into disorder. We have already shown what would happen if the Govt ordered the owners of the means for production of the necessities to employ the unemployed on unprofitable production. Nor can a Capitalist Govt (even if it could) build up, a man with the unemployed, ~~new~~ means for the production of these necessities. For every worker which the Govt re-employed in its own factories, it would throw out another from private industry.

Hardly a month passes without the British or American Govt announcing a new tariff, a new scheme for the restriction of this or that ~~crop~~ crop, a "quota" of Coal, set as a maximum above which the Coal mines of the Country must not produce, a devaluation of the currency, an imposition of "cuts" in the amount of money paid out in social service, a direct

reduction in such wage rates the Govt can exert
an influence.

There is, however, a distinction between such
measures & the kind of planned production for
use defined above. Planned production for
use means the deliberate allotment of the
resources of production to meaning certain
particular goods, and, this, as we have seen,
inevitably involves the planning of almost
all the Community's available resources.

But the kind of economic measures
which Govts now indulge in are simply designed
to restore to production the condition of profitability
when for some reason, even loss, & without
which Capitalist production cannot be carried
on. They are all designed either to raise prices,
or to reduce costs of production by cutting wages, for
profits are ^{but} the difference between costs and prices.

The purpose of the group of measures designed to restrict production is, avowedly to raise the price of the products of that portion of the means of production which is still permitted to operate. The second group of measures are more direct in action. They are designed to reduce the costs of production by reducing the amounts paid out for labour — either by way of wages or (where, as in Great Britain, there exist) by way of other payments made to the workers, such as insurances, pensions etc.

The two systems are, moreover, mutually incompatible for another & more obvious reason. For Capitalist production for profit can only be carried on if the means of production are privately and separately owned, while planned production for use can only be carried on if the means of production are pooled under public ownership.

Chapter VI

The Capitalist Method of Distribution

The only rational purpose of production is Consumption. And in order to consume goods and services you must not only produce but distribute them.

The word "distribute" can be used to mean the process of transporting goods or services from the point of their production to the point of their consumption and also the process of sharing out the available supply between the individual citizens of the community. Here we are concerned exclusively with this latter use of the term — with the question of sharing out.

Now the most convenient way (under any system of production) of sharing out a limited supply of goods & services is not to send everybody a certain ration, whether equal or unequal, of the actual goods and services, but to

give people a certain amount of money which they can
 then use to buy the particular goods and services, which
 they prefer, up to the amount of money which they
 have received. In other words, the question of how the
 supply of goods & services is to be shared out is the
 same question as that of how money incomes will
 command the distribution of goods and services.
 When we discuss the question of distribution, what
 we are really discussing, then, is the question of
 how incomes are to be allotted. The question is:
 what are people to get paid for, & how much is
 each of them to be paid.

Under the Capitalist system we pay people for two
 distinct & different functions. In the first place, we pay
 people according to the quantity and the quality of the
 work which they do. We call these payments wages,
 salaries, and fees.

Secondly, we pay people, not for anything

any so, but for what they own. They are paid an income if they own property in the means of production, that is to say, if they own ^{produce a} anything which has to be used in order to supply of Consumers' goods & services. They are paid an income, for example, if they own land on which crops are grown or stock is raised; if they own a mine from which coal is dug, or a factory in which goods are ~~processed~~ manufactured.

Under the existing system it is necessary to pay these owners rent on their land, or interest on their shares in a factory, in order to induce them to hire out these indispensable means to people who want to use them for production.

The owners ~~themselves~~ ^{often} use their means of production for ~~productive~~ purposes themselves; in that case they get no interest or rent, but they do get all the profit which they can make out.

of using their means of production.

The owners of the means of production are paid a profit or rent & interest by the rest of us. . . . It is their ownership of the only available land, the workable minerals and the essential means of fabricating such raw materials into finished goods, which forces all the rest of the population to pay money to these persons.

To put it in terms of goods & services, instead of money, the owners or capitalists get the difference between the value of all the goods which are produced in the whole production system & the value of the goods which have to be given to the non-capitalists to live on.

Chapter VII

The Changing Shape of Capitalism

The Capitalist system does distribute, by way of wages, salaries, rent, interest and profit, enough purchasing power to buy all the goods and services which it produces. But it distributes this purchasing power so unevenly that in fact by no means all the consumable goods and services which are produced, far less all that could be produced, can find a market. So much of the available purchasing power is given to so few people, and so little is given to so many people, that the many poor cannot ~~buy~~ the goods and services which they need, & the few rich do not need the goods & services which they can buy.

As the rich will not ~~buy~~ these, to them useless goods and services, & the poor cannot buy

them, no one buys them. They do not find a market, & so cannot be profitably produced.

The reader may ask how do the rich spend their large incomes?

With the money derived from their ownership of the means of production they buy further means of production, so that their ownership of this particular kind of property is continually increased. To put the point into our familiar financial terminology, the rich neither spend nor hoard their incomes, but re-invest them.

The re-investment of their property-derived incomes by the rich — the purchase, that is to say, of further means of production — while undoubtedly enabling the system to function for a definite historical period, is a solution which steadily makes the problem more acute. For the only ultimate external

purpose of production is, we repeat, Consumption. The only rational purpose of buying up new means of production is to use them to produce Consumers' goods.

In Chap. I we saw that the object of Capitalist production was profit. Now we ^{see} see that the object of profit-making is, in its turn, the accumulation of Capital. [For Capital consists of resources of production used in a particular way: used, that is to say, in this particular way; used to create, to accumulate, new resources of production in a never ending series.] Thus in the last analysis the object of Capitalism is to produce new means of production.

The process of the accumulation of Capital is, moreover, self-accelerating. The new means of production which are created by the savings of the rich are now usually of a different kind

to the means of production which they replace. They are more efficient, or more highly mechanized, as we say. But what do such words as "mechanized" & "efficient" mean? They mean that the production is ^{human} which they refer is carried on less by means of ~~labor~~ ^{labor}, & more by means of all kinds of plant and machinery. And, as we saw just now, income is, under Capitalism, distributed both in respect of work done & in respect of plant & machinery owned. Hence, if for the production of a particular batch of goods less work and more plant & machinery, are now needed, it must mean that more income will be distributed by way of rent, interest and profit to the owners, & that less income will be distributed by way of wages & salaries to the now less numerous earners.

Another development of Capitalism is closely associated with this progressive transformation in the nature of the means of production from small

and simple to larger & complex. For, both as a cause and as an effect of the worse & worse distribution of income necessitated by the growth of the means of production, ownership of the means of production becomes less and less scattered, individual & competitive & more & more concentrated corporate & monopolistic. It is almost always the owners of the old means of production who are able to buy the new, with the income derived from their original ownership. Moreover, within this class of owners it is above all the large owners who are able, with their large profits, to buy a predominant part of the new means which are continually coming into existence.

This process of concentration has made the owners of the means of production fewer & richer who only spend a small proportion of their incomes on consumers' goods, while the great mass of the

population cannot anything like satisfy their normal needs. It has ^{also} another effect, namely, elimination of free competition between producers.

This monopolistic stage of Capitalism is necessarily reached by each Capitalist State in the course of its development. At this point the impossibility of disposing of its products to its own population begins to stare it in the face. It is indissolubly associated with, it is indeed the very basis of, a vital feature of latter day Capitalism which is now universally known as imperialism. What happens is that each national Capitalism, as it reaches a given point in the development of its means of production, in the concentration of ownership, in the elimination of competition between its Capitalists, & in the relative impoverishment of the immense majority of its population, turns outwardly in search of the markets which its own development has destroyed at home.

This necessity to turn towards economic (and consequently political) expansion is experienced by all Capitalist states at a certain point in their development.

It is only ^{as} when ~~we already have~~ a community's means of production become highly developed that this characteristic of the Capitalist system becomes the curse & the monstrosity which it is to-day. It is only when we already have means of production which could (without stinting further development) give us all plenty and security, that it becomes a criminal absurdity to keep the mass of the population in destitution and devote ourselves to creating still further means of production, which in their turn can never be used for anything but giving birth to still more such means, in an infinite series.

But beyond a certain point this is not even possible. Beyond a certain point (and

it is a point which we in America & Britain have reached), it becomes periodically impossible, because unprofitable, even to go on developing our resources of production.

Today, the normal, characteristic situation of Capitalism is one in which it is as impossible to use a substantial proportion of our means of production for their own further development as it is to use them to produce consumers' goods. For it becomes less and less profitable to develop new means of production which can never be used, or at best can be used only to produce still further means of production, which in turn can be used only — and so on & so on.

This then is the contradiction in Capitalism to which Communists and Socialists often. Capitalist method of production & distribution (& they are indissolubly linked together) provide an effective (if ruthless) method

of industrializing the world; but they cannot perform any other function, when once the primary process of industrialization has been accomplished, the difficulties of the system thicken upon it, the very characteristics which were its principal advantages become its fatal defects, the frugality which it forced upon the greater part of the population once enabled it to free resources of production for industrialization. But in the last resort the only purpose of industrialization is to enable the population to enjoy a more copious supply of goods & service. Hence the very feature of Capitalism which once made industrialization possible now makes it impossible for nine-tenths of us even to enjoy the fruits of industrialization.

The Two Classes.

It is clear that the Capitalist method of distribution must create two groups, or classes of persons, the first of which derives its income from payments for its work and the second of which derives its income from payments in respect of its ownership of property in the means of production. [It has already been seen that the Capitalist method of distribution is itself but a necessary consequence of the Capitalist method of production i.e. of the ownership of the means of production by private persons & their operation for profit]. The first of these two groups or classes of persons are commonly called workers, & the second Capitalists.

It is sometimes argued that those persons who own the means of production only do so by virtue of the fact that in the past they saved up a part of incomes which they derived from work. It was with

these work-derived savings that they bought
 their means of production. Now this argument
 had ~~at~~ one time a small measure of truth,
 but to-day it has become a laughable error.
 It was once true that the means of production were
 partly developed out of the savings made by the
 better-paid workers & small independent produc-
 ers. [In Britain, however, even a hundred years
 ago, they were predominantly developed out
 of the savings of the landlords, who already
 derived their incomes from ownership, & out
 of the colonial plunder of the merchants and venturers.
 The real primary sources of American Capital
 were imports of Capital from Britain — themselves
 accumulated as above — & the profits derived
 from the slave labour of the negroes of the South].
 But it is absurd to suggest that any apprecia-
 ble part of contemporary property owners'

income comes from means of production' which were originally bought out of savings which these property owners had made out of incomes derived from work. To a predominating extent in Britain and to a rapidly increasing extent in America the Capitalist class has become a hereditary class.

Even our prominent, but relatively rare, example of self-made men invariably owe their present large ownership in the means of production, not to saving pennies out of their wages as newspaper boys or half-time cotton operatives, but to their luck or skill in taking some sudden opportunity to hire on credit particular means of production from their owner.

It is important to notice that what places a particular individual in one or other class is not the size, but the source, of his income. For example,

some highly specialized, technical workers have larger incomes than some capitalists.

[There are a fair number of individuals who derive some of their income from one source & some from the other. They usually serve to illustrate the view that men's opinions are, on the average, determined by the source of their incomes. For it can almost always be observed that such persons share some of the opinions appropriate to workers, & some of the opinions appropriate to capitalists].

The Socialist Method of Distribution.

The capitalist method of distribution produces injustices compared to which all other injustices are merely secondary & consequential.

What, then, is the alternative socialist method of distribution?

The simplest principle of distribution compatible with a system of planned production for use would be to give everyone an equal share of the available consumer goods & services.

Many people suppose that this arrangement is what the Communists & socialists propose; but this is not so. They do not propose, either as an immediate or as an ultimate aim, the provision of equal incomes to all members of the community. Marx and Engels, the founders of the modern Communist and socialist movements, proposed a quite different method of distribution; and Lenin & Stalin have established

This method of distribution in the Soviet Union.

Some non-Marxist Socialists, notably
 Mr. George Bernard Shaw, ^{have,} it is true, proposed equality
 of income as the method of distribution appropriate
 to a planned system of production for use.

Stalin, speaking to the 17th Congress
 of the Communist Party of the Soviet Union, said
 that "Marxism starts out with the assumption
 that peoples' abilities & requirements are not
 and cannot be, equal". Again two British
 socialist thinkers, Mr. and Mrs. Webb, have recently
 pronounced upon the point. Their evidence is
 important for ~~settling the point~~ ~~settling the point~~ ~~settling the point~~
~~Charles' ignorance~~ Mr. and Mrs. Webb are
 non-Marxists, and in the past have been strongly
 anti-Marxists, writers who cannot possibly be
 accused of twisting Marxist doctrine to fit Soviet
 practice. "At this point," they write severely,

"we may observe that it is a false assumption,
 current among the uninstructed, and even among
 persons who think themselves educated, that the
 Communist Party in the U.S.S.R. began its task
 of building the socialist state upon the basis of
 identical incomes for all workers by hand & brain,
 on the ground that all men are born equal, with
 an inherent right to equal shares in the
 commodities and services produced by the community
 in which they live and move & have their being.
 There has never been any such idea among the
 Marxists. Quite the contrary. Karl Marx and,
 after him, Lenin were always denouncing the
 conception of an abstract equality between man
 & man, whether in the new-born babe, or
 in the adult as moulded by circumstances. In
 so far as individual Communists have indulged in

ideals as to how the wealth of the Community should be distributed among its members, the slogan has always been one of inequality" (Soviet Communism: A new Criticism pp. 701-2).

On what principle, then, is it proposed to distribute the goods & services produced by a socialist system of planned production for use, & why is the proposal to distribute them equally rejected? Two methods of distribution are proposed, the one as an immediate, the other as an ultimate aim. It is proposed, as the immediate alternative to Capitalism, to distribute the goods & services produced by a system of planned production for use in accordance with the quantity & quality of the work done. It is proposed, that is to say, to continue (for a time) to distribute goods & services along the lines of the Channels

used to-day, but to close the second of these channels (namely, distribution by way of rent, interest & profit to persons in respect of their ownership of property in the means of production).

It is proposed, to put the same point in a different way, to abolish unearned income, leaving earned income as the sole method of obtaining a livelihood. Under such a system the one thing that a man can get paid for is his work.

This definition of the principle upon which purchasing-power, & consequently goods & services themselves, are distributed in a socialist society - covers, we notice, both the payments made to the wage workers in Soviet State-owned industry & the payments made to owner-producers in the producers' Cooperatives, such as the Collective farmers, in payment for their produce. For these latter persons,

although they do own their means of production, are paid not in virtue of that fact, but in virtue of the fact that they themselves work with these means of production.

This method of distribution guarantees a socialist society against that torturing, paradoxical tragedy of our epoch, simultaneous glut and unemployment.

Here is an economic system which, whatever its other disadvantages & difficulties may be, is able to abolish want & unemployment & establish plenty & security.

Under such a system there will be, and there are in the U.S.S.R., inequalities in the economic fortunes of families, but the actual quantitative degree of inequality between different earned incomes is always small ^{as} compared with the inequality between earned and

unearned incomes [1 to 15 in Soviet Union as compared with 1 to 40000 in Britain & America].

This brings us to the general question of private accumulation under socialism. In the first place, we have seen that the enormous diminution in the inequality of incomes, which is effected by the abolition of unearned income, makes private accumulation unnecessary. It will be natural for the individual to spend his income on consumption goods & services.

In the second place, in a socialist system no means of production are for sale. S.G. it is no more possible for a man, no matter how much of his income he saves, to buy a share in a Soviet factory or railway than it is for an American or British subject to buy a battle-ship or a post-office.

We can now make another definition of a socialist system of planned production for use.

by "except the tools used independently by working artisans and the remaining products".

Such a system is one in which consumers' goods, but not means of production, pass into private hands.

An essential ^{pre-}requisite for such a system is the abolition of private property in the means of production. But this does not mean that it is necessary or desirable to abolish private property in consumers' goods. On the contrary, a socialist system will enormously increase the quantities of such private property in the hands of the immense majority of the population.

The Abolition of Classes.

The social effects of the socialist method of distribution are at least as important as its economic effects. For the payment of income in respect of work done, & for that alone, abolishes classes.

Equality of opportunity, unattainable for a hundred reasons in any society dominated by a small class drawing its income from ownership of the means of production, can at once become a reality in such an environment.

Again, the level of intelligence of the leaders of such homogeneous communities will rise sharply. Homogeneous, classless societies draw their leaders from the whole 100 p.c. of the ^{la}popul^ature, instead of, as now, from 15 to 20 p.c. of the population, a large hereditary ruling class.

There is a further point in their connection,

which Mr. Bernard Shaw is fond of making. The two main classes in Capitalist societies are necessary to meet a negligible degree. Hence, the area of sexual selection for the comparatively small Capitalist class is very restricted & this class probably suffers from inbreeding (the well-known degeneracy of small, exclusive aristocracies is an example of what this tendency leads to). It is reasonable to expect that the far wider area of sexual choice open to every citizen of a homogeneous, classless society will, over a few generations, have a markedly eugenic effect, & so increase the mental & physical powers of the race.

Above all, the abolition of social classes is the pre-requisite of social peace.

All of the civilizations which arose were civilizations of a ruling class imposed upon a

subjected class. For the ruling class appropriated to itself most of the advantages of civilization over barbarism, and imposed almost all of the burdens of maintaining civilization upon the subjected class.

Until a way of abolishing classes was found, there could never be anything which could be called a voluntary civilization.

It was not possible, until the contemporary leap forward in man's capacity to produce wealth took place, to create a classless, homogeneous and so voluntary civilization. That possibility has now arisen. Man can now produce so much wealth that the apparatus of civilization, with an ever-growing staff of administrators, research scientists, artists, etc. can easily be maintained while setting aside ample wealth to provide free and civilized lives for the whole population.

Limits possibilities of development are imposed
to mankind by this fact.

A time comes in the development of every
class-divided society when nothing can be done,
nothing attempted, no thought even can be con-
ceived which may endanger the precarious stability
of the social pyramid. --- For creative
thinking would endanger its own regnant position.
In such societies, in their stages of decay, the
artist must not see, the poet hear, or the
scientist investigate anything which may dis-
turb the social equilibrium.

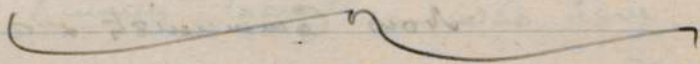
This stultification of the creative powers of
a ruling class, together with an intensification of
the coercion of the subjected class, develops as
when the historic function of each ruling class
is accomplished. One hundred years ago for example,
when the capitalist class of Britain & America

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certainly had a function, when their economic system of production for profit was the indispensable method of developing the community's means of production, nothing approaching the present degree of either characteristic existed.

The justification for the existence of our ruling class has, however, disappeared.



Socialism & Communism Distinguished.

The socialist system of distribution will, then, abolish social classes. But it will not create equality of income. Why then, is this system of distribution preferred to, for example, Mr. Shaw's suggestion of paying every worker an equal wage?

Now Communists & socialists have quite as clear & realistic a view of what is called human nature as have the capitalists. ... They are not only able to see, as sharply as anyone else, what human beings are like to-day. They are also free from the peculiar idea that human beings have always been the same as they are at present, & will always remain the same in the future.

They are convinced that there is no such thing as abstract human nature, independent of time and place. The nature of human

Beings is, on the contrary, invariably modified by any major change in the social system under which they live. Undoubtedly, however, the immediately important consideration for the establishment of a new economic system is what human beings are like to-day.

Now one of the characteristics of contemporary human beings, who have been modified by the developing economic system of the last five hundred years, is that they are accustomed to work for an individual reward.

That increased individual reward is appropriate & necessary to increased work has undoubtedly become a strongly established conviction of all of us. It is human nature, during & immediately after the Capitalist epoch, to expect & demand such increased individual reward, although this has not ^{always} been the human nature of

past epochs & will not be the human nature of future epochs.

If to-day we attempted to give equal pay for unequal work, we should flout one of our most strongly held conceptions of justice. If less skilled workers got no more than the unskilled, --- we should nearly all feel that an important & natural incentive to better work has been removed, & a grave injustice done.

And for our times & for our circumstances we should be right. Men & women, as they are today, would not always work well or hard unless they unless they knew that harder & better work would bring them individual rewards.

This is the first, practical, reason why Communists & socialists reject the principle of equality of wages & salaries. To attempt to impose such an equality of pay to-day would show a failure

to grasp the nature of our particular phase of historical development, both of the means of production and, correspondingly, of human personality. It would be to attempt the impossible. Moreover, & this brings us to the second reason for its rejection, a flat equality of pay would not only be impossible; it would also be undesirable. Such an arrangement, as we noticed above, is not proposed even as the ultimate goal society.

Perfect justice, according to some, would only be achieved by no one being any better off than anyone else. It is clear that this conception of what would be just conflicts with the former equally widely held conception that it would be unjust to pay as much for less intense & less skilled work as for more intense & more skilled work — more esp. in communities where

had established genuine equality of opportunity.

Apart from this contradiction, however, it is important to notice how impossible it would be in practice to ensure that nobody should be any better off than anyone else.

--- Short of ceasing to pay workers in respect of their work at all, even at equal rates of pay, & giving each family an income in proportion to its numbers, equality of economic status could not be achieved.

And even then there would be no equality. For every human being differs from every other, not only in their physical & intellectual powers, so that they can contribute different quotas of service to society, but also in their needs & tastes. --- The distribution of equal incomes either per family or, still less, per individual worker would not then

put people on an equal economic status.

For these reasons the proposal to pay everyone an equal wage was decisively rejected as a matter of theory by Marx & Engels [see Marx's "Critique of the Gotha Programme" & Engels's "Anti-Dühring" esp.] and was rejected ^{in practice} by Lenin & Stalin when they came to the actual job of devising an appropriate method of distribution for a socialist society.

This (socialist) method of distribution is appropriate & necessary both to our present stage in the development of the means of production, & to contemporary human nature as it has emerged from its prolonged moulding by the capitalist system. --- But it leaves in existence substantial inequalities, not all of which can, in practice, be perfectly adjusted to ability, between man & man. These inequalities are large enough to require

Careful off-setting by educational assistance, etc., to the poorer families, if they are not to qualify effective equality of opportunity.

Moreover, this method of distribution inevitably produces sharp competition between different workers for the better paid jobs (From one point of view this is one of its advantages). Economic competition is eliminated, but what we may call personal competition continues. It is clear that in such a society there is still need for a "keeping of order".

The above defined method of distribution is no more than a more or less prolonged transitional stage to a society in which the distribution of products will be based on a different principle. And the word Communism is ^{reserved} ~~described~~ to describe this second & ultimate form of society. Under Communism consumable goods & services will

be distributed according to need, and work will be performed according to ability. Do we mean by that, we need will at once ask, that everybody is ^{to be} allowed to have as much of everything as he likes, and, more extraordinary proposal still, that nobody is to be compelled to do more work than he wants to? Yes, this is just what is meant.

This principle of distribution has been defined in a well-known phrase, "from each according to his ability and to each according to his needs". You will be expected to contribute service to society according to their abilities and to take from the social store of wealth according to their needs. We shall find on examination that this principle of distribution (and not equality), however impracticable its early adoption may be, is the only one which can satisfy our vague and at present

Conflicting feelings as to what would be just. It ~~atone~~ will permit of the full development of human beings, and will eliminate altogether Coercion from human affairs.

We have now outlined two distinct forms of social organisation. First we described a system of planned production for use in which the products are distributed in accordance with the quantity and quality of the work done. This is Socialism. Now we have outlined a social system which is also based upon planned production for use, but in which the products are distributed according to need, & work is done according to ability, this is Communism.

We also ^{saw} that it is impossible to establish Communism as the immediate successor to Capitalism. It is accordingly proposed to establish

socialism as something which we can put in the place of our present decaying Capitalism. Hence Communists work for the establishment of socialism as a necessary transition stage on the road to Communism.

Two things must be accomplished before there can be any possibility of basing society upon the principle of from each according to his ability and to each according to his needs. First we must have the technical ability to create super-abundance.

(Secondly) Before there can be any possibility of society giving everyone as much of everything as they like to have, & asking from them only what work they desire to give, human beings must be given time to adapt themselves to the extreme ~~various~~ in the nature of their environment which any approximation to such a society will constitute.

For a race accustomed from its appearance on the earth to scarcity & toil to be suddenly plunged into an environment in which a very moderate amount of pleasant work will suffice to provide plenty of everything for everybody, will be a reversal of fortune without parallel. It would be unreasonable to expect an even approximate adaptation to such a change in less than two or three generations. But this adaptation, too, will begin just as soon as the relative plenty & security of a socialist system is established.

Hence women who have never had the opportunity to possess the goods & services necessary to more than a wretched existence might gorge starved appetites. But to the inhabitants of a land in which want & insecurity were unknown, the idea of a man taking more of

any particular good than he needed might well seem unaccountably odd. Again, we should be able to understand how work could become the main delight of life — a delight which men would not dream of forgoing. For already these fortunate few amongst us whose work is pleasant & interesting find in it one of the most enduring satisfactions of their lives.

[The sole reason why our contemporary rich can, and sometimes do, demand goods on their sort of ludicrous scale is because they are able to force dozens of the rest of us to work for them. But, given universal plenty & security, no one could be forced into the service of any other individual. In such conditions none of us would demand more goods than we were prepared to look after ourselves.]

Chapter XII Incentives To Work.

What incentives to work do Socialism & Capitalism provide?

In order to make workers work and work hard, Capitalism uses both rewards and punishments. The rewards are of two kinds. In the first place, Capitalism rewards without stint those members of the Capitalist class who work as the task of using the means of production which they own. --- Again, the more successful members of the professional, e.g. lawyers, doctors, accountants, authors, engineers, are often highly rewarded for their work. They are sometimes so well paid as to be enabled to acquire, by one means or another (often by marriage, for example), property in the means of production & so to merge with the Capitalist class.

Many people suppose that the mass of the manual and clerical workers are induced to work by the prospect of being rewarded with a share in the ownership of the means of production, carrying with it a right to unearned income. They honestly believe that the great advantage of the Capitalist system is that it induces the workers to go to work in the morning without any need for compulsion, by offering them a glittering prospect of making their pile.

In contemporary Britain & America, however, the chance of the worker becoming through his own efforts an owner of the means of production is statistically negligible.

Capitalism, however, uses, though to a slowly diminishing degree, another and limited, but real instead of illusory, system of rewards. Capitalism has seldom given an appreciable number

of workers an opportunity to acquire property in the means of production. But it has often given many of them, if they worked esp. well and hard, an increase of pay sufficient to enable them appreciably to better their ^{and} standard of life. An elaborate system, both of differential wages etc., which encourage the workers to become ~~skilled~~ skilled, & of payment by result (piece-work) which encourages him to produce rapidly, has been developed.

The incentive, however, by which contemporary Capitalism succeeds in wringing the last ounce of work out of those workers whom it still consents to employ is predominantly not the promise of any reward, but the threat of extreme punishment if the worker relaxes his efforts. That punishment takes the form of a refusal to allow the worker

access to the means of production. He is shut out of the factory gates, so that he cannot earn his living. Moreover, by the bitterest irony, the Capitalists' inability to employ by any means all of the workers greatly increases their power over those whom they do employ. For there are always a hundred unemployed men forced to stand ready to take a dismissed worker's place.

It is worth envisaging what this degree of inability to use our productive resources means to the contemporary young men and women just finishing their period of education. To be twenty years old, & to have nothing to do; to discover that nowhere in the whole gigantic, complex, dazzling panorama of modern life is there a single task with which one can be entrusted; to find that no man needs

one for any thing, anywhere — what could be worse than this?

Let us sum up the incentives provided by present-day Capitalism. The only people whom it predominantly induces to work by the promise of increased reward are the members of the Capitalist class, & the result of their work is as often pernicious as beneficial. Capitalism, however, uses to some extent the reward of higher pay as an incentive to harder work on the part of the working-class. But to an increasing extent it forces, rather than induces, the workers to spend themselves in toil. Its basic incentive is negative instead of positive; it is based on the fear of punishment, not the hope of reward. It uses a compulsion differing chiefly in its invisibility, & its efficiency from the palpable lash of the slave owner.

Finally, for that 15 to 30 per cent of the working population which is to-day unemployed, Capitalism provides no incentive to work. On the contrary, it denies them all opportunity to work.

What incentives does Socialism provide? In the first place; a Socialist society (as distinct from a Communist society), retains, though in a greatly modified form, the ultimate compulsion that able-bodied men & women shall not receive a livelihood unless they work. Indeed, in one respect, it applies this compulsion more rigorously than does Capitalism. For Capitalism applies it only to the working-class, while providing the amplest livelihoods to persons who do no work at all. -- Under Socialism the latter (sic) would not be so fortunate. They too would find it necessary to work if they desired to

receive an income. -- On the other hand, socialism makes it necessary for everyone able to work to do so, and simultaneously, by abolishing unemployment, makes possible for everyone to work.

Moreover, it is worth while noticing that socialism applies - this negative incentive to work to the whole population by the same type of mechanism by which Capitalism applies it to the non-property-owning section of the population.

It may be objected, however, that socialism does produce a servile state of things in that under it there is but one employer of labour, namely, the State, & that therefore no man can have a choice of employment. This accusation is based on a simple misunderstanding of the structure of a Socialist

economic system. As we saw in Chap. IV, in the existing socialist economy there are three different types of employers of labour, namely, State or municipal agencies, producers' cooperative societies and Consumers' cooperative societies. And within each of these types there are a great variety & an enormous number of employing organisations. Mr and Mrs Webb there describe (on pp 771-2) the multiplicity of socialist employing agencies: - - - - - .

Socialism retains the ultimate, negative incentive of paying income only to those who work, in order to prevent the possibility of particular individuals exploiting the community by receiving all its benefits while rendering it no service. But a socialist society does not principally rely on this negative incentive in order to get its work done — & done well. It not only

the one thing which a man must not do is to hire some one to work for him at a wage & pocket the proceeds of this hired man's work or a above what he pays him.

returns, but enormously develops, the incentive of getting better pay for better work which Capitalism uses, but now uses decreasingly.

The existing socialist society in the Soviet Union has developed this system of individual rewards for better work to a very striking extent. Not only, & not merely, has piecework or payment by result been applied wherever and whenever it is practicable throughout Soviet industry, but an extensive system of grading the basic wage rates according to the demand for work of a particular character has been adopted. Thus the workers in any given trade will be divided by the Trade Union concerned into anything from eight to seventeen separate categories, ranging from the least to the most skilled operation in the trade. Then a basic wage rate of so much an hour is fixed for each category, with the maximum practicable

difference between the hourly rates of the more & the less skilled. But, how, it may be asked, are the workers placed in one or other category? The answer is at their own request. A worker in the lowest category can demand to be placed in the highest. And his demand must be acceded to, on one condition. As he can show himself capable of doing the much more skilled work involved he demands, that is to say, a trial on the work of some category above him, and if he makes good at his new job he at once receives the highest rate of pay.

The prospect of better pay is, however, only only one of the incentives which makes a man work and hope for promotion. Many men (and women) are as much, or more, attracted by the increased power which promotion nearly always brings with it. Associated with power is prestige. Promotion

is a public recognition of work — and what will men & women not do for such recognition? Nor is there any reason why a socialist society should not use those badges of public esteem, those medals and orders which, from their abuse, have become ridiculous in our societies, but which are in themselves a reasonable & sensible device. And, in fact, the existing socialist society does reward its outstanding workers with such orders and medals, and they are highly coveted.

In the stagnant ^{societies} of contemporary Capitalism, however, millions of capable men & women have not only advancement but all hope of advancement.

Another group of incentives comes into play, however, in the case of these producers' Cooperatives, which, as we saw, play some part in the industrial production, & a predominant part in the

agricultural production, of the existing socialist society.
 These organisations, since they own their means
 of production, also own the product when they have
 made it. Thus the Soviet Collective farmers own
 their crop (although, like other farmers, they have
 to pay taxation to the State) and divide amongst
 themselves either the actual wheat, milk, meat, or
 other agricultural produce which they raise, or the
 money which its sale on the market yields them. In
 the same way, the Cooperative Societies which
 produce handicrafts, or some speciality needed
 by large-scale industry, or which perform some
 service; such as house-repairing, all enjoy the
 proceeds of their labour sold on the market. It is
 clear that in this case the familiar, traditional
 incentive to good & hard work provided by sale
 in a competitive market operates to the full. (And
 the same consideration applies to those individual

workers, artists, craftsmen, intellectual workers, journalists, landowners, and many others who continue to exist & to sell the products of their labour on the market).

✓ No Soviet collective farm employs, or will ever be allowed to employ, workers who have no part or lot in the enterprise, & whose labour, remunerated by a fixed wage, would yield a profit to the members of the collective farm. In the same way, no individual craftsman must employ other persons to work at wages for him with his tools, on his raw materials, producing commodities for his profit. This would be, clearly, to re-introduce that exploitation for profit of the labour of others, by the owners of the means of production, which is the essence of Capitalism.

In the case of the members of the 250000 collective farms, which, of course, constitute by

for the largest class of such sellers of the products
 of their labour, a complex combination of incentives
 to work has been developed. In the first place,
 all the members know that the total sum to be
 divided amongst them depends upon how hard
 they all work. But in a cooperative organiza-
 tion containing several hundred workers this is
 considered to be too diffused an incentive to
 be effective. Hence each individual collective
 farmer shares in the total product of the enter-
 prise in accordance with the amount of work
 which he does, this amount being
 calculated either on a piecework or a time-work
 basis. To this ingenious combination of two
 different incentives is added a third. In the typical
 collective farm the members also engage in
 individual agricultural production either for the
 needs of their own families or for sale on the market.

Thus the Soviet Govt strongly encourages the collective farmer to own a cow, or pigs, or poultry, & to cultivate a plot of land of any-thing up to three acres in extent round his house. It is often only the production of the main agricultural staple of the district, be it wheat, or sugar-beet, or stock-raising, which is cooperatively undertaken. But again, of course, no collective farmer must in the course of his individual productive operations hire the labour of some other person for wages.

These, then, are the incentives to hard work, capable of appealing to the most severely self-seeking types, which a socialist society provides.

It would be quite unrealistic to suggest, however, that men & women were responsive to nothing but considerations of

x. [Our contemporary human nature is very variable. Sometimes men seem incapable of anything but narrow & grubbing self-interest; at other times they struggle with the flame of their idealism.]

immediate, individual self-interest. The fact is that men often respond powerfully to the most various, the most idealistic, & the most impersonal appeals. ‡

If, then, almost every good has been able to enlist men's all-too-ready idealism for causes which could bring those who work or fought for them no benefit, how much more should a socialist good be able to enlist men's idealism for the cause of acquiring for themselves all the material & moral benefits of a new civilization? And, in fact, we find that the existing socialist good has been able to tap an immense fund of constructive idealism among its citizens. It has done so partly by devising a system of rewards & punishments, which, while they directly affect the individual, do not affect his or her material

interests. We might call it a system of public praising for good work & public blaming for bad work. - - - There are a dozen ways of applying this system of praising & blaming, but they all depend upon the existence of a genuine desire upon the part of the population as a whole to improve the productive system. For unless that desire exists there will be no genuine pressure from public opinion acting upon the individual & influencing him to give his best.

When once the purpose of work has become undeniably the improvement of the conditions of life for all, much of it is done without regard to, & without hope of, personal, individual reward. It is done simply & directly in order to develop, to improve, to embellish the way of life led by the whole community.

PART II

The Political System



A New Kind Of Democracy.

The existing political institutions constituting the characteristic Capitalist form of Democracy were established, that is to say, by the ancestors of the present owners of the means of production — the early merchants and manufacturers — who felt that the then political system throttled and stunted their Commercial and productive operations. They endeavoured to establish the principle that the govt should be elected by & should be responsible to the Capitalist class. For otherwise (a bitter experience had taught them this truth) they had no safeguard against being plundered by irresponsible monarchs for the benefit of clouds of Courtiers, aristocrats, and other drone-like parasites.

But the Capitalists found that they were not able to win their struggle for power with

ent the support of the mass of the population.

But, Despite the gradual and reluctant extension of democratic rights, effective political power remains to this day in such States as Britain & America in the hands of the Capitalist class. The mass of the population did not, however, commit an error when it joined with the Capitalists in establishing the basis of our present form of democracy. --- For our present form of democracy, with its characteristic institutions, namely responsible govt, freedom of the press from direct governmental interference, guarantees of personal liberty, periodic general elections, parliaments or Congresses, & constitutional monarchies or republics, is the political system appropriate to Capitalism. And Capitalism was the only possible economic system to establish upon the gradual break-up of Feudalism. It suited the stage of development of both the

4. Communists & Socialists advocate, then, an replacement of the extremely
attempts of limited / and democracy which is a more possible and
Capitalism by a wider, broader & more effective democracy.

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productive powers & the state of consciousness
which the human race had reached. . . .
The Capitalists have naturally ruled in their own
interests. But their interests coincided, for
a time, with the interests of society. . . . For
our contemporary needs, however, our present
Capitalist form of democracy is narrow & im-
perfect. It amounts to little more than demo-
cracy for the Capitalist class alone. For it leaves
that pre-requisite of freedom, independent
access to the means of production, exclusively
in the hands of the Capitalists. So long as a limited
class owns society's very means of life, that
class will rule; & the most perfectly democratic
Constitution in the world can do no more
than mask, & a little mitigate, its dictation-
ship. . . .

The new democratic institutions can be

deduced from a study of certain special and peculiar democratic institutions which have grown up within Capitalism. -- They were not established by the Capitalist class, & that class has never shown any love for them. The most familiar example of such institutions is afforded by the Trade Unions.

Now, on the one hand, Trade Unions exist in all well-developed democracies, while, on the other, Capitalist political science has not, or has only most unwillingly, recognized their existence.

We already know, from Soviet experience, the general ^{role} which Trade Unions are destined to play in a Socialist society. They protect the interests of the workers as workers, against, for example, over-enthusiastic "planners". They take the leading part in the determination of the relative size of wages

paid in each industry, & for each job within
 an industry. --- Second, the Trade Unions are
 the appropriate bodies for the administration of
 the comprehensive system of social services, i.e.
 S. & A. ~~SSA~~ pensions, insurances (but not unemploy-
 ment insurance, for unemployment can be, &
 has been, eliminated by socialist planning),
 and the like which are still necessary in a
 socialist, as distinct from a Communist, Society.
 Third, they can & do play a leading part in
 ordering up the whole community life of the popu-
 lation, in ensuring that every factory, or mine,
 is not merely a place where production is carried
 on, but is also, through its clubs, its education-
 al institutions, its canteens, its restaurants
 and the like, a many-sided centre enabling
 what we might well call its "members" (i.e. the
 workers employed there) to have the good life.

The Trade Unions are not, however, & cannot be made, sufficiently wide & all-inclusive to be able to adequately fulfil the supreme ^{claiming over the govt of the country from the capitalists & a)} function of exercising the political rule of the working-class. They are inevitably to some extent sectional organisations. They represent the worker as carpenter, a miner, a transport worker or engineer, rather than as worker. Moreover, the Trade Unions are only half extra-capitalist institutions. Although they are often enjoiners to capitalism they can & do function within capitalism.

What democratic institutions, then, should be established for the organisation of our self-govt in a socialist economic system?

It seems clear that a network of councils representing not only every type of worker, but the whole adult population, as far as feasible, is the

specific form of democracy by means of which
the workers may organize their self-governance
in a socialist economic system. ---

It is becoming clear that such features of
the Soviet System as an occupational instead
of a geographical electoral basis, & the indirect
election of the higher organs of government by the
lower, are essential parts of the rule of the
working-class as such. --- Under the
amended Constitution adopted in 1936, these
two features have been abandoned. ---

--- During the transitional stage between
Capitalism & Socialism there is no possibility
of an all-inclusive democracy. For, during
this stage, classes will exist. And there can
be no democracy between classes; there
can be no democracy between those who

These councils are not elected on the territorial basis of the present franchise
& but are based upon the actual places of work, the factories, mines
and offices of these workers.

own & those who do not own the means
 of production. During this stage, if socialism
 is to be built up, the working-class
 must dominate the community just as
 completely as does the Capitalist class in a
 Capitalist society. -- As & when socialism
 is achieved & a society free from class
 divisions appears, the above two features
 become unnecessary



The Dictatorship of the Working-Class.

We saw in Chap. viii that the capitalist economic system inevitably produced two classes, or groups, of citizens, namely the Capitalists, drawing their incomes from their ownership of the means of production, and the workers, drawing their incomes in respect of work. Now so long as these two classes exist, one is going to rule the other. Either the Capitalists will be on top ruling the workers, or workers will be on top ruling the Capitalists.

The methods by which the Capitalist class has maintained, in all essentials, its exclusive power to make & unmake the laws, in spite of the grant of the franchise to the workers, are well-known. They are based upon the fact that their ownership of the means of production gives the Capitalists control over men's whole lives. In particular, the Capitalists own the

essential means for the production of political opinion — the newspapers, the wireless, the schools, and the cinemas, in exactly the same way that ~~they~~ ^{they} are the means for the production of steel and of concrete.

Moreover, they have set up extremely elaborate political organizations, in the form of Capitalist political parties. These vast political organizations are themselves very powerful means for the production of political opinions — for inducing men to vote in any desired manner. And these organizations are again the almost exclusive possession of the Capitalist Class. For the cost of their establishment & maintenance is extremely high, so that the workers cannot effectively maintain such organizations.

It is true that the need of the Capitalists to win the assent of the workers in one sense

weakens their Dictatorship. But it is not true that it causes it to cease to be a Dictatorship.

The only way in which the workers can rid themselves of Capitalism & organize a socialist economic system is exactly to push to the front the specifically working-class democratic institutions, such as trade unions and workers' councils, which exist in an embryonic form under Capitalism & which, we saw, become the main political institutions of a Socialist society.

Now these institutions, when they have been developed into institutions of govt, will constitute a democracy for the workers. But at the same time these institutions will constitute a workers' dictatorship over the capitalist class. In order to establish a socialist economic

system it is necessary for the working-class to assume exactly the political relationship to the Capitalist class which the Capitalist class now assumes to the working class. Within the working class there will be effective democracy, just as to-day there is effective democracy within the Capitalist class. But in the Capitalist class there will be dictatorship, just as to-day there is dictatorship over the working class.

For the existence of social classes cannot, unfortunately, be abolished overnight with the accession to power of the working class. Separate classes will be abolished as and when a socialist economic system of production has built up. The building up takes time; the workers will not be able to take all the means of production out of the hands of the Capitalists on the day after their accession to power. And

even after that has been done experience indicates that the former Capitalist constitutes for some time a well-defined & aggressively hostile class which has to be ruled.

The rule of the working-class, coming to their decisions democratically amongst themselves, but dictating to the Capitalist class, is, then, what is meant by a workers' dictatorship.

[The extra-ordinary historical importance of the new Soviet Constitution is that it shows that the Soviet Union is now reaching the point when the Capitalist class, having been divested of the ownership of the means of production, has been gradually absorbed into the working class which has thus become co-extensive with society itself.]

A Party of the Working-Class.

Every member of the Russian Communist party has to undergo a periodical re-examination of his whole record, & he is unhesitatingly dropped from membership of the party, & thus ceases to be eligible for the higher fields of leadership, if he cannot demonstrate from his whole life's record his suitability for positions of trust.

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The faith of the British & American people in Capitalism forms a serious obstacle to its abolition & it will form a serious obstacle to the construction of a socialist society. For we must face the fact that habituation to the whole point of view of Capitalism will persist even after the abolition of that system. There will be undoubtedly many British & American citizens who, although they will possess the technical training & ability to take