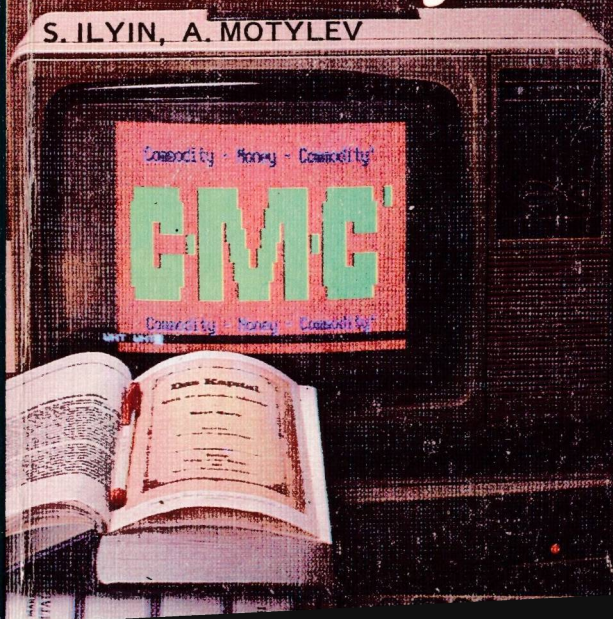


# abc

OF SOCIAL AND  
POLITICAL  
KNOWLEDGE

## WHAT IS Political Economy?

S. ILYIN, A. MOTYLEV



PROGRESS PUBLISHERS

*Richard Field*

**ABC** of Social and Political Knowledge

Sergei Ilyin,  
Alexander Motylev

WHAT IS  
POLITICAL  
ECONOMY?  

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С. Ильин, А. Мотылев

ЧТО ТАКОЕ ПОЛИТИЧЕСКАЯ ЭКОНОМИЯ?

*На английском языке*

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## Introduction

Each science has its own subject. As we learn to do sums at school, we begin to comprehend the subject-matter of mathematics. As we watch a bolt of electricity flash between two glittering balls, we enter the fascinating world of physics. Chemistry deals with the structure, properties and transformation of substances, and astronomy, with the motion of celestial bodies. As the natural sciences develop, they merge into a single stream reflecting a panoramic picture of the natural world around us. These are closely tied in with the exact and applied sciences, which help to understand the

principles on which is shaped what is known as "second nature", that is, everything created by man's inquisitive mind and skilful hands.

But there is yet another and equally important group of sciences which study diverse aspects of the human society. History, philosophy, law, linguistics, and many other social sciences help to unravel the intricate meshwork of the social conditions in which mankind has lived and developed, and this helps to transform reality for the sake of social progress. Marxist-Leninist political economy has pride of place among these sciences. It studies the social system of production, the economic relations between people in the process of production, and the laws governing the production, distribution and exchange of material values at every stage of mankind's development.

The task of this book is to give readers a clear idea of this science, whose purpose is to help people in their efforts to create a better social life.

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Chapter  
One

THE BASIS  
OF SOCIAL LIFE

**The Vagaries  
of History**

Human life has never been simple or easy, and mankind's historical advance has never been a leisurely stroll. Revolutions and changes of social system, peaceful neighbourly relations and sanguinary wars, the arduous toil of the exploited and the idle luxury of the exploiters, sprawling cities and huts in the jungle—such are the contrasts of human history. Is there any connection between its kaleidoscopic events? Is there any thread one could follow in the labyrinth of history in order to find a straight road leading to happiness and social justice? Over the millennia, people kept looking

for such a road. The oppressed rose up against their oppressors, and keen visionaries put forward projects for establishing a social order under which the human personality would flourish and people would live in full harmony with nature on the principles of equality and brotherhood. All those were protests against the social system under which the society was divided into a handful of privileged exploiters and a mass of exploited, who were deprived of the right to happiness and whose sole duty was to toil for the benefit of the rich and idle.

Such crying injustice is against human nature, the nature of man as the architect of the world, the creator of all its material and spiritual values, because everyone born into this world is worthy of a truly human life.

Titanic human labour can work miracles. It can find and utilise unfathomed natural wealth, point the way to other planets, and turn deserts into fertile soil. Through scientific and technical achievements, man has learned to make and operate sophisticated automatic machines, to fabricate materials whose properties surpass those of natural substances, and to harness the powerful energy of water, wind, sun and even atomic nuclei for making electricity, man's loyal ally. Boundless are the potentialities of man's labour, the flights of his imagination and the commands of his purposeful will.



But having learned to master nature and to comprehend its laws, men were as yet unable consciously to regulate their own history. Many natural phenomena keep repeating themselves in accordance with definite laws: seasons change, night follows day just as day follows night, etc., while social life is not marked by such relentless recurrence: it is not so easy to notice the change of historical epochs, for each generation arrives on the historical scene to find a social setup shaped by earlier generations. People acting in the society have a consciousness and a will of their own, and it is not always easy to discern the motives for which they act.

Some believe that historical processes are governed by individuals (wise or foolish, good or evil, rulers or their aides), by the nature and direction of their activity. Ideas rule the world—such is the simple conclusion to be drawn from that view. But it does not give an answer to the questions which inevitably arise in this context: how do the ideas themselves originate? Are there any criteria for assessing how fruitful they are and how relevant to the course of history?

The colonialists conquered entire continents and enslaved their peoples not only because they were led by blood-thirsty military leaders, but also because they had definite aims and were guided by the grasping hand of those who

longed for more wealth. That is why the essence of colonial plunder does not change even when the plunderers claim to perform a "civilising mission" and allege that their sole purpose is to raise the peoples to the heights of modern culture. Under cover of such rhetoric, they gain control of the natural resources of other countries and trample on the cultural values amassed by each nation over the centuries.

To say that ideas rule the world is tantamount to admitting man's impotence in the face of supernatural forces.

## A Great Discovery

If one is to explain the true motives of human behaviour, views and actions, one should go to the roots from which springs the whole stream of social life.

That was done for the first time by Karl Marx and Frederick Engels, the great teachers of the working class and all the other working people. Almost one and a half centuries ago, they carried out the greatest ever revolution in man's views of the society and its history by elaborating a doctrine which has come to be known as historical materialism, or the *materialist understanding of history*. Since the time of that great discovery, the world has been a

scene of majestic events, which have influenced the fortunes of all peoples, of mankind as a whole. And each new step in the society's historical development has brought fresh proof of the Marxist doctrine. Far from being outdated, as some of its adversaries strain to prove, it has been gaining strength and vitality as it points out the way to progress, peace and happiness.

Here are the main points of the materialist understanding of history:

- history is a natural objective process and is made by men themselves, without the interference of any supernatural forces;

- men make history not in accordance with their arbitrary desires, but on the basis of the material conditions that take shape in the society at each stage in its development;

- these material conditions (material production) are pivotal to the whole structure of the society and determine its spiritual life, politics, etc. Marx clearly expressed that in his well-known formula: "it is not the consciousness of men that determines their existence, but their social existence that determines their consciousness"<sup>1</sup>. Of course, social being and consciousness here do not mean the living

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<sup>1</sup> Karl Marx, *A Contribution to the Critique of Political Economy*, Progress Publishers, Moscow, 1977, p. 21.

conditions or individual consciousness of a separate person, but the being and consciousness of the society as a whole, of large groups of people constituting classes, various social strata, etc.

Such an approach to history also entailed fundamental changes in the views on the economy, on economic processes and phenomena. So what is material production, which plays the decisive role in the development of the human society?

## Material Production

In order to live, men should have food, clothes, housing, and other material values. But these are not to be found ready-made in nature, and have to be produced by men themselves, by their labour. At the early stages of social development, men were already engaged in producing various products: they hunted wild animals and roasted their meat, caught fish, made primitive tools, built dwellings, etc. Motivated by their requirements, they expanded the sphere of their labour activity and perfected their tools and the production process itself. From hunting they advanced to domestication of animals, and then on to cropping. Later on, they began to engage in the handicrafts: weaving, pottery, metal-working, etc. A subsequent

stage of development saw the emergence of manufactories, based on handicraft techniques and manual work, which eventually developed into large-scale machine production.

In our day, *material production* remains the main source of the products consumed by people. Apart from articles of consumption meant for meeting human requirements in food, clothes, housing, etc., it is also necessary to make the instruments with the help of which these material values are produced. Production can be defined as a process taking place between man and nature in the course of which man transforms natural substances into a product necessary for human life. Without production, the human society can neither exist nor develop. Economic and political conditions may change, and one social system may give way to another in the course of history, but production will always remain the basis of the society's life.

People produce material values jointly, by groups and the society as a whole, so that production, whatever its conditions, is always social, and labour is always the activity of a social individual. The production of material values includes three basic elements: human labour (or work), objects of labour and instruments of labour.

## Human Labour

The long centuries of exploitation and oppression engendered the view that labour is a grave burden. In actual fact, labour—a process of conscious and purposeful human activity with the help of which people change natural objects—is a crucial condition of human life. The attempts by bourgeois researchers to describe the “labour” of beavers, bees, ants or spiders, and to ascribe to them a “division of labour”, “labour contacts”, and other phenomena peculiar to social production are futile. Animals often perform fairly complicated operations, but they do that by instinct, whereas man, before getting down to his work, sets himself a definite goal and aims at attaining certain results. Marx wrote: “...What distinguishes the worst architect from the best of bees is this, that the architect raises his structure in imagination before he erects it in reality.”<sup>1</sup>

People gain command of the forces of nature and use its resources in their own interests. They manufacture machines, cultivate land, mine and process ore and coal, extract and refine oil, etc. To meet their requirements in clothes, they grow cotton, spin, weave and make gar-

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<sup>1</sup> Karl Marx, *Capital*, Vol. I, Progress Publishers, Moscow, 1974, p. 174.

ments. To meet their requirements in housing, they cut wood, make bricks and other materials, and build houses. Labour is the basis of human life, its natural and eternal condition.

A point to note is that not every kind of work belongs to the sphere of material production. Thus, the work of doctors, teachers, artists, etc., does not produce any material values.

In the process of labour, people expend their mental, nervous and muscular energy or, in other words, their *labour-power*. The latter is the total-ity of an individual's physical, mental and other capacities for work. So, labour is a process in which labour-power is expended.

For the labour-process to go on, there should be correspondingly developed human labour-power. In effect, the degree of its development is a criterion for assessing the level of material production. The technical level of production, for its part, has a reciprocal influence on the working people, on their labour-power. In the production of material values, the human personality is itself developed, human labour skills are perfected, and new knowledge is gained. As the first and basic condition of the whole of human life, labour has in a sense created man himself.



## Instruments of Labour and Objects of Labour

As people act upon nature in the process of labour, they create and use *instruments of labour*. These are all the material means used by man to transform natural substance, that which man interposes between himself and natural substance in order to act upon the latter.

The instruments of labour include: first, implements of labour or tools (machinery, equipment, tools, engines, etc.); second, industrial premises; third, transport and communication facilities; and fourth, reservoirs and tanks for storing objects of labour (bunkers, cisterns, cylinders, gas-holders, etc.), that is, the whole production apparatus of the economy. The crucial role among the instruments of labour belongs to the implements of labour, whose mechanical, physical, chemical, biological and other properties are used by people in the production of material values.

The land with its mineral deposits, waters, forests and other resources is a universal instrument of labour without which production would have been inconceivable. As the 17th-century English economist William Petty put it, "labour is its (material wealth) father and the earth its mother".<sup>1</sup> Being the universal instrument

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<sup>1</sup> *Ibid.*, p. 50.

of labour, land can function in that role in agriculture and elsewhere only when other instruments of labour are available and when human labour-power has reached a relatively high development level.

In using instruments of labour to act upon the surrounding nature people themselves tend to change, accumulate experience and knowledge, and that creates new possibilities for developing and perfecting the instruments of labour, production technology, and for raising labour productivity. In developing his instruments of labour, man has travelled a long way from the use of a primitive stick or stone axe to a modern robot.

Tool-making is the distinctive feature of human labour. Some species of animals are capable of making rudimentary use of natural tools (like sticks or stones). Apes, for instance, can use a stick or a stone to knock down fruits from a tree, but they are incapable of making the most primitive axe or cutter. Human labour began precisely with the making of primitive tools. That process involved a perfection of the organs of the human body, primarily the hand. In fact, the hand is a product, as well as an organ of labour.

In acting upon nature and altering it in accordance with their goals, men perfect the implements of labour, gain an ever deeper knowledge of the laws of nature and ever greater command

over it. The natural substances upon which men act in the process of labour are called *objects* of labour.

These can include both materials found in nature (like ore which is being mined or a tree which is being felled), and materials which have already been subjected to the impact of living human labour (like newly mined ore which is being used at a metallurgical plant or a newly felled tree which is being made into furniture). The latter are known as raw materials. So, any raw material is an object of labour, although far from every object of labour is a raw material. One and the same object of labour can pass through different stages of processing at which human labour is applied to it. Thus, mined ore is a product of miners' labour, but at a metallurgical plant the very same ore is seen as a raw material. And the steel produced at that plant will serve as a raw material at an engineering plant. In other words, natural substance becomes an object of labour only when human labour is applied to it.

Land with its mineral deposits, waters and forests is a universal object of labour. All its resources constitute the natural conditions at the society's disposal.

The character and degree of human use of natural resources depend on the level of science and technology, on the degree of their technolog-

ical application, and on the nature of the social system. Scientific and technical progress, especially the ongoing scientific and technical revolution, expand the range of natural products being drawn into the sphere of production as objects of labour.

## The Means of Production

If the labour process is seen from the standpoint of its results, the instruments of labour and objects of labour constitute the *means of production*. A point to note is that one and the same thing can serve either as an object of labour, a raw material, or as an instrument of labour depending on the place it has in the labour-process, on its role in that process. For engineering workers, for instance, a sewing machine which is being made is an object of labour, and for the workers of a garment factory it is an instrument of labour.

Instruments and products of labour are embodiments of past labour. But so long as they are not involved in the process of living labour, they remain an inert pile of things. A machine which does not function in the labour process is quite useless: it rusts, becomes obsolete and falls into disrepair, just as yarn which is not made into fabric is eventually ruined. As for human labour activity itself, it cannot proceed

without any means of production. So, material production is only possible as the result of an organic conjunction of past labour, as embodied in the instruments and objects of labour, and living labour.

Man's labour, his production activity and his impact upon nature take place within the framework of definite social relations. In the process of labour activity, people unite into social groups.

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Chapter  
Two

VISIBLE AND  
INVISIBLE LINKS

In producing material values, people not only act upon nature, but also enter into definite relations with each other. Consequently, social production has two sides. The first expresses man's relations to nature and is known as the society's *productive forces*. The second expresses the relations among people in the process of production and is known as the *relations of production*. These are relations among the members of the primitive commune, relations between the slaveowners and the slaves, the feudal lords and the serfs, the capitalists and the wage-workers, and relations among

working people who are free from exploitation and who are co-owners of the means of production. At each historical stage of the society's development, man acts upon nature in the process of production only within the framework of definite relations of production.

## The Productive Forces

The productive forces include both the means of production used to produce material values and the people who use these means of production to produce material values on the strength of their experience and knowledge. People with their production experience are the crucial element of the productive forces, the chief productive force of the society. Without people, even the most sophisticated machinery is lifeless. People invent and build new machines and use them in production.

The material elements—the means of production—constitute the *material and technical basis of the society*. The instruments of labour, implements above all, are the most mobile and transforming elements within the society's productive forces. Progressive changes in material production, which ultimately determine all the other changes in the life of the society, start with the instruments of labour.

The development level of the productive forces



shows how well man has mastered the forces of nature. In ancient times, the discovery and use of fire marked a great stride forward along that way, and in our age man is penetrating ever deeper into the mysteries of matter, gaining command of nuclear energy, and reaching out into space.

The productive forces are in a state of continual growth and improvement. Technical progress keeps changing the content of labour, and the importance of man's physical and intellectual abilities in the production process changes accordingly: the role of intellectual powers in the production of material values goes up, while that of physical strength is reduced. Science develops into a direct productive force.

## The Relations of Production

People do not produce material values on their own, by analogy with Daniel Defoe's Robinson Crusoe, the lone castaway who survived on a desert island. People have always lived in groups, in communities. Production by isolated individuals is an absurdity, just as the existence and development of a language without people living together and communicating among themselves. Aristotle, a great thinker of Greek antiquity, already realised that man is

a social animal. Production, whatever its conditions, is always social. The economic ties and relations into which people enter objectively (independently of their will and consciousness) in the process of material production are known as production (or economic) relations. And it is only within the framework of these relations, often intangible and invisible, that people enter into relations with nature and social production takes place. Economic relations play the decisive role in the system of social relations, being their basis, their foundation. All political, legal and other social relations among people ultimately depend on the character of the economic relations.

Apart from economic relations, people involved in production also enter into relations directly connected with the technology of production and labour organisation. Thus, such relations take shape among shop-floor workers in accordance with the demands of the technological process, in the management of their activity, etc.

Production relations are a system of economic relations among people arising in the process of the production, distribution, exchange and consumption of material values. Production relations can be relations of cooperation and mutual assistance among people free from exploitation, as under socialism; they can be relations

of domination and subjugation, as under slavery, feudalism or capitalism; or else they can be relations of transition from one form of production relations to another. What determines the character of the relations of production?

The decisive role in the system of production relations belongs to the form of property in the means of production. Bourgeois researchers usually reduce property relations to man's relations to things. But that is a very superficial view, for when an individual owns a thing or an aggregation of things (like a factory), he inevitably enters into definite relations with other people (like the workers of the factory). Behind the relations to things and between things, Marxist political economy detects relations between people in the production of material values, with the decisive role in these belonging to the relations of property in the means of production. Property relations show who owns the means of production and, consequently, who appropriates the products of labour: individual classes which own the means of production or the society as a whole.

Property in the means of production determines not only the relations concerning the distribution of the social product, but also the social status of the various classes and social groups. Under capitalism, where the means of production are held privately, the workers are pro-

letarians deprived of any means of production. The products they turn out belong to the capitalist. Bourgeois private property is based on man's exploitation of man.

The opponents of Marxist political economy have always alleged that it repudiates property as such. In actual fact, Marxism as the revolutionary doctrine of the proletariat is not opposed to property in general, but to its private-capitalist form, which at a definite historical stage becomes obsolete and is bound to be superseded by social property.

In the socialist society, which is based on social property, the working people own the means of production in common and jointly take part in production. That is why the products of labour in such a society belong to them and them alone. Socialist property in the means of production unites the working people, gives them common interests, and engenders relations of comradely cooperation and mutual assistance among people free from exploitation. It is the basis of the socialist society's economic system and determines all the other social relations among people under socialism.

So, *property* is a historically conditioned social form of the appropriation of material values (the means of production above all) by people. It determines the social system of production, its socio-economic character.

Property relations are always connected with things, that is, with the instruments and objects of labour, and also with the products, or the results of labour. At the same time, bourgeois economists and sociologists are wrong in regarding property relations as man's relations to things based on a "social contract", "divine right" or "eternal natural laws", by which they mean the laws of the bourgeois society. Property is a historical concept, which affects the vital interests of this or that class.

## Division of Labour

In the process of labour, people are dispersed among the various enterprises and sectors of the economy. There are two main types of division of labour: within the society (social division of labour) and within the enterprise (individual division of labour). The former includes division of labour among various sectors of the economy (like industry and agriculture), its branches and sub-branches (like mining and manufacturing, or cropping and livestock farming). The division of labour within the enterprise among the various shops and workplaces includes a division of labour functions between workers, engineers and technicians.

The degree of the social division of labour is a major indicator of the development level of

the productive forces. At the initial stages of the human society, when the productive forces were at an extremely low level, the division of labour first emerged in its simplest form: a natural division of labour by age and sex. Later on, three major divisions of labour took place (the separation of cattle-breeding from cropping, of the handicrafts from agriculture, and of trade from production generally), and that did a great deal for the development of the productive forces, the rise of labour productivity, the emergence of private property, and the society's division into classes.

Under large-scale machine production in our day, the social division of labour is a complex and ramified system ranging across hundreds of industries. Only in the past few decades, the scientific and technical revolution has given rise to such independent industries as radio engineering, the gas industry, instrument-making, nuclear-power engineering, synthetic chemistry, industries producing semi-conductors, automation facilities, electronic devices, and so on.

While characterising the development level of the productive forces, the social division of labour is also closely connected with the nature of the social system and is an indicator of the social relations under which labour is performed. Under capitalism, the social division of labour develops haphazardly, with constant disproportions.

tions between the unevenly developing sectors and industries, something that leads to a waste of labour and resources. As the division of labour deepens, the production process tends to become ever more social, while the appropriation of the results of labour remains private-capitalist. That serves to aggravate all the contradictions of capitalism, primarily its basic contradiction: that between the social character of production and the private-capitalist form of the appropriation of its results. Under socialism, the social division of labour is effected in a balanced way, in the interests of the whole society and all its members. When socialism spread beyond the framework of the first socialist country, the USSR, and turned into a world system, there emerged an international socialist division of labour, which marked a new stage in the economic relations between states, based on full equality, mutual advantage and comradely mutual assistance.

### The Root Cause of Social Revolutions

Human history has known great revolutions in science and technology, which led to fundamental changes in our ideas about the world and its laws. The wheel and the steam engine,



the windmill and the nuclear reactor are among the greatest discoveries of the human genius. When applied to production, each of these discoveries, which may be centuries or even millennia apart, marked a new leap forward in the development of the productive forces.

History has also known many social upheavals and revolutions, which shattered the foundations of the old world in order to open up the way for the society's progress. Marx called revolutions the locomotives of history. By helping mankind to throw off the yoke of old, obsolete systems, revolutions have opened up new vistas before it and accelerated social development.

A closer look will show that there is a deep-running connection between revolutions in science and technology, which entailed changes in the society's chief productive force—the working people—and social revolutions. That connection stems from the close interaction of the productive forces and the relations of production, the necessity of bringing them into correspondence.

It may appear that the means of production are indifferent to the social conditions within whose framework they develop. Thus, metal-cutting machine tools made in the USA operate at industrial enterprises in the USSR, while trucks made in the USSR are used to carry freights in many capitalist countries. But

there is an essential distinction in the purposes for which the means of production are used under different social systems. In the socialist countries, the powerful technology meant for the exploration of outer space is being successfully used for peaceful purposes, for the needs of science and the economy. But spaceships can also be used as intimidating weapons, as the US ruling circles are trying to do in their bid for world domination.

The interconnection between the productive forces and the relations of production derives from the very nature of the movement of social production, whose continual dynamics and development from lower to higher forms is due to internal, rather than external causes. The productive forces, primarily the implements of labour and human labour itself, are the most mobile and revolutionising element of social production, and their development determines the relations of production. Thus, the production relations that took shape on the basis of primitive-communal property corresponded to the primitive tools of that epoch, which were primarily meant for fishing and hunting. Capitalism, which used force to deprive the peasants and handicraftsmen of their means of production, and which herded them together at plants and factories, arrived on the historical scene together with machines and steam-engines. Only social

property in the means of production, the production relations intrinsic to socialism are really conducive to the further advancement of the scientific and technical revolution.

All that is not to say, however, that the relations of production are no more than a passive reflection of the development of the productive forces. On the contrary, they exert a direct and active influence on the productive forces, on their growth, character and the direction of their movement. That influence can be either positive or negative, for the relations of production can either promote the development of production or obstruct it by putting obstacles in the way of the advancing productive forces. In the second instance, there is a conflict between the productive forces and the relations of production. The latter cannot lag behind the development of the productive forces and be in contradiction with them for a very long time, because in these conditions there can be no social progress. No matter how far the relations of production lag behind the development of the productive forces, they are eventually bound to be brought into correspondence with them. The correspondence of the relations of production to the character of the productive forces is a *general economic law* which operates throughout human history.

But for one set of production relations to

replace another, development of the productive forces alone is not enough. The old social system and its ruling class will not give up their positions of their own accord. So, apart from the material prerequisites created by the whole preceding development of the productive forces, a replacement of obsolete production relations calls for a *social force* capable of overcoming that resistance. In exploitative societies consisting of opposite classes, one set of production relations is substituted for another through social revolution. Under slavery, feudalism and capitalism, where the production process is haphazard, production relations which lag behind the development of the productive forces engender sharp and profound social contradictions and conflicts, and a fierce class struggle between the working people and the exploiters.

Societies based on man's exploitation of man develop along two lines: ascendant and descendant. In the initial period of development, when the relations of production correspond to the character of the productive forces, the society develops along an ascendant line, and later on, when the relations of production turn into an obstacle fettering the development of the productive forces and social progress, society follows a descendant line, which eventually leads to a break-up of the old social relations. A social revolution takes place, which elimi-

nates the obsolete forms of social life and opens up the way for a further development of the productive forces.

However, none of the revolutions of the past ever abolished man's exploitation of man, but only substituted one form of exploitation for another. The slave-driver's lash was discarded only to be replaced by the whip of the feudal lord, who made the serfs cultivate his land. The feudal lord was superseded by the "enlightened" capitalist, who invented more sophisticated methods of coercing wage-workers into work on pain of unemployment, hunger and poverty.

The socialist revolution alone destroys the very basis of man's exploitation of man—private property in the means of production—and establishes social property in these, so creating real conditions for boundless and steady development of the productive forces in the interests of the society and each of its members. The socialist relations of production are being constantly perfected with the development of the productive forces and gradually develop into communist relations of production proper, which will ensure the economic basis for a socially homogeneous society without classes, a society which will inscribe on its banner: "From each according to his ability, to each according to his needs".

## The Economic Basis and the Superstructure

The relations of production in the society exist in the form of a definite system, which at each historical stage of development constitutes the society's economic system, or its *economic basis*. In that sense, we distinguish the economic basis of the slaveholding society, feudalism, capitalism and socialism.

Each social system has its own economic basis, without which material values cannot be produced and the society's productive forces cannot develop. As an aggregation of all the relations of production, the economic basis ultimately determines all the other social relations, which rise above it in the form of a *superstructure*. Each economic basis has its own superstructure, which includes all political, legal, philosophical, ethical, religious and other views and ideas, and corresponding organisations and institutions (the state, political parties, judicial, cultural, religious and other institutions).

Engendered and conditioned by the economic basis, the superstructure becomes an active force in its own right, which helps to form and strengthen the basis. In our day, the active role of the superstructure with regard to the economic basis is particularly pronounced. In the capitalist countries, the political superstructure

plays a reactionary role, for it protects the old, obsolete bourgeois economic basis, the exploiter classes, which are doomed by history. The superstructure in these countries tends to slow down social progress and is an instrument in the hands of the biggest monopolies seeking world domination. In the Soviet Union and other socialist countries, the superstructure plays a progressive role, helps to accelerate the development of socialist production, to further improve the people's wellbeing and raise their cultural standards.

The productive forces are the most mobile and revolutionary elements of production. The movement of the productive forces entails corresponding changes in the relations of production among people, in the society's economic basis. The changes in the basis, for their part, lead to matching changes in the superstructure. Having emerged from a definite economic basis, the superstructure, for its part, actively seeks to strengthen it, and so exerts a reciprocal influence on the development of the productive forces, slowing down or accelerating that development.

Political economy as a social science studies the relations of production in their complex interaction with the productive forces and the superstructure. Without understanding the mechanism of that interaction, one can never

understand the true nature of the relations of production, of the society's economic basis. Thus, capitalist relations of production cannot be analysed without examining the deep-rooted contradictions between the productive forces and the relations of production that are intrinsic to capitalism, and without considering the forms and methods of the influence exerted by the bourgeois state on economic development.

## The Mode of Production and Classes

Each stage of the society's development has its own productive forces and corresponding relations of production. Social production at a definite stage of its historical development is known as the *mode of production*. What determines this or that mode of production?

Any mode of production is based on *property in the means of production*, which determines all its major development laws. It is the form of property which connects human relations of production into a coherent system and conditions the mode of the working person's conjugation with the means of production.

History knows *five basic modes of production*, which are studied by political economy: *primitive-communal, slaveholding, feudal, capitalist and*



*communist*. These have consecutively superseded each other in the course of social progress.

The conjugation of the means of production with the immediate producer occurs in different ways under different modes of production. In the bourgeois society, where private-capitalist property reigns supreme, the means of production are conjugated with the producer as a hostile, oppressing force. Capitalist production is based on the exploitation of wage-labour and its goal is to extract profit. Under social property in the means of production, the mode of the producer's conjugation with the means of production is essentially different. Having eliminated private property, socialism effects such a conjugation on a new and higher basis, on the basis of social property in the means of production, which rules out man's exploitation of man.

The mode of the producer's conjugation with the means of production determines the class composition of the society. *Classes* are large groups of people differing in the place they occupy in social production, in their relations to the means of production, their role in social labour organisation and, consequently, in the share of the social wealth they receive and the ways in which they receive it. In antagonistic societies, the exploiter classes are groups of people which appropriate the results of the labour

of other classes in view of the domination of private property in the means of production and the different status of the classes in the social economy. In the capitalist society, for instance, the means of production are concentrated in the hands of the bourgeoisie, so that the latter appropriates the results of the labour of wage-workers. In the socialist society, where the working people are co-owners of the means of production and work collectively, there is no place for the appropriation of other people's labour, for man's exploitation of man.

So, the existence of various classes is connected with the historical stages in the development of social production. The main classes of the slaveholding society were the slaves and the slave-owners; of the feudal society, the serfs and the feudal lords; of the bourgeois society, the wage-workers and the capitalists; and of the socialist society, the working class and the co-operated peasantry.

The historically conditioned mode of production and the corresponding superstructure constitute the *socio-economic formation*. In analysing the economic systems which lie at the basis of the primitive-communal, slaveholding, feudal, capitalist and communist formations, political economy makes it possible to trace out the law-governed process of the society's advance from lower to higher stages.

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Chapter  
Three

BEFORE CONSUMPTION  
CAN TAKE PLACE

Any product is produced in order to be consumed. Otherwise, the labour inputs are useless and senseless, and amount to plunder of the society's productive forces. Such are the activities of the diehard imperialist circles, who have launched a race in lethal weapons, which jeopardise the life of the whole of mankind. That race is a monstrosity engendered by capitalism and cuts across common sense, while the natural ultimate goal of production is to meet human requirements. But before the created product reaches that final point, it should be distributed and exchanged. Men be-

gan to exchange products of their labour at the earliest stages of the human society, with the development of the productive forces and the deepening of the social division of labour. It also became necessary to distribute the products of collective labour: at first equally, as within the framework of a primitive commune or tribe, and then far from equally, in accordance with the laws of the mode of production under which the distribution occurred. The product was now appropriated by those who owned the means of production and exploited other people's labour. That was so under slavery, feudalism and capitalism. Only in the socialist society the product began to be distributed in accordance with each person's contribution to social production: "from each according to his ability, to each according to his work".

## Production and Consumption

The production of material values is a source of the society's life. It has to be continual, that is, has to be constantly renewed. It cannot stop even for a few days, for people cannot cease producing food, clothes, footwear, housing, cultural and other values, just as they cannot cease consuming them.

Material production, considered in its constant recurrence and renewal rather as a one-off act, is known as the *process of reproduction*. Apart from immediate production, that process also includes the distribution, exchange and consumption of material values, which are its various phases closely tied in with each other as parts of a single whole. Let us take a brief look at these phases of social reproduction in their interconnection and interaction.

*Production and consumption* are respectively the initial and the final phases of reproduction. Production is known to yield a definite product, which is meant for consumption. Consumption can be of two types: productive and personal. Productive consumption means that the finished product is used to produce other products, i. e., that it is consumed in a new production process. So, productive consumption is the process of production itself. Personal consumption means that the finished product goes to meet the people's personal requirements, that it is consumed by the people themselves and constitutes consumption proper.

Production and consumption are closely interconnected, but the decisive role in that interconnection belongs to production, which is the initial point, the necessary prerequisite of consumption. Production creates articles of productive and personal consumption. It deter-

mines the volume and structure of consumption, for it is possible to consume only that which has first been produced. Production also engenders new requirements in products, giving, so to speak, an impulse to consumption, and also determines the mode of consumption itself. Thus, coal and oil were initially extracted solely as fuel, but with the development of science and technology they have become the initial raw materials for the production of many types of chemical products used in industry and daily life. The emergence of automobiles and the development of their production engendered the need for diverse products, highways, repair services, etc. Consumption, for its part, is the natural ultimate goal of production, its completion. The consumption of a product engenders a new requirement, so stimulating the growth and perfection of production. Noting the close interconnection of the two polar phases of reproduction, Marx wrote: "Without production there is no consumption, but without consumption there is no production either, since in that case production would be useless."<sup>1</sup>

However, the close interconnection of production and consumption does not mean that there are no contradictions between them. It

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<sup>1</sup> Karl Marx, *A Contribution to the Critique of Political Economy*, p. 196.

is common knowledge that in the capitalist society, where poverty limits the consumption of the working masses, the course of reproduction is periodically disrupted by the impossibility of marketing the goods produced, and the society is plunged into a crisis of overproduction. The interconnection and interdependence of production and consumption there is haphazard, acting as a blind and destructive force which inflicts much hardship and suffering on the working people.

Under socialism, the interconnection of production and consumption manifests itself quite differently. The constantly rising material standards and purchasing power of the working people stimulate the development of production and guarantee the society against economic crises of overproduction, unemployment and poverty. Of course, that does not mean that under socialism there are no contradictions at all between production and consumption. When these are detected, the society is able to effect planned and timely measures in order to resolve these contradictions and ensure the necessary proportions between production and consumption. The rapid growth of the production of consumer goods under socialism is aimed at ensuring ever fuller satisfaction of the people's growing requirements.

## Distribution of Products

Before going into consumption, the products first have to be distributed. *Distribution* is an intermediate link between production and consumption and is closely tied in with both of them. In the interconnection between production and distribution, the leading role belongs to production, and not only because it is possible to distribute products which have already been produced, but also because the forms and character of their distribution among the various classes and social groups fully depend on the economic relations between people in the course of production, primarily on the form of property in the means of production.

Under capitalism, where the means of production are held by the bourgeoisie, the resultant product belongs to it as well and is distributed in order to ensure greater profits for the capitalist and reduce the workers' wages to a minimum. The bourgeois society is marked by irreconcilable antagonisms between the capitalists and the workers, by sharp contrasts between wealth and poverty. The working people there are obliged to carry on a constant hard struggle against wage-slavery, for their vital rights. The condition of those working people who are subjected to wage discrimina-



tion by sex, age, race or nationality is particularly grave.

The situation under socialism, where the means of production are held as social property, is quite different. Because there are no capitalists, the people here work for themselves and their society. Articles of consumption here are distributed in accordance with the quantity and quality of their work in social production, and the people's material and cultural standards keep rising.

So, distribution is not independent of production, as it is claimed by some bourgeois economists who believe that fairer distribution could cure all the ills and sores of capitalism. It is impossible to introduce fairer distribution under capitalism, for the mode of distribution cannot be changed without changing the mode of production.

While being dependent on production, distribution, for its part, has a reciprocal influence on it. Thus, the distribution of the means of production and the working people among industries and occupations is a part of the production process itself and influences the proportions and the sectoral structure of production, the social division of labour. The distribution of the products of labour among the classes and social groups, among the members of the society influences their attitude to

work, their material stake in the results of their work, so accelerating or slowing down the development of production. That is well illustrated by the active stimulating role of material incentives to work in the development of socialist production, and the consistent realisation of the socialist principle of distribution according to work.

## Exchange of Products

*Exchange* is the connecting link between production and the distribution conditioned by it, on the one hand, and consumption, on the other. It primarily manifests itself in the form of an exchange of activity among the personnel of a single enterprise. Within the enterprise, there is a definite division of labour among workers of different occupations, and also among workers, foremen, engineers and other personnel. All of them take part together in one and the same production process, in the course of which they exchange concrete types of activity by way of direct contact with each other.

The exchange among enterprises, industries and economic regions of the country takes place in other economic forms. In the course of the social division of labour, the specialised enterprises of different industries supply each

other with instruments of labour, raw materials and other products. The production of a product started at one enterprise is continued and completed at another.

The economic form of exchange is determined by the social system of production, primarily by the property in the means of production. Exchange can be either planned or haphazard. It can take the form, for instance, of a direct exchange of products, that is, a transfer of products produced by some members of the society into the hands of its other members, as in the primitive commune. It can also take the form of commodity exchange, which is only one of the historical forms of the exchange of activity.

The commodity form of the exchange of activity is a transient, historical phenomenon. The exchange of commodities first emerged from 5000 to 7000 years BC, and has reached the peak of its development under capitalism, where human labour-power itself, as well as the means of production and articles of personal consumption, can be bought and sold. Exchange, marketing, commodity circulation embrace every sphere of life in the capitalist society. Commodity production has become universal, and exchange is being used to make profit by dealers, capitalists and speculators. Under socialism, labour-power is not a commodity. The

sphere of commodity production here is limited, trade has been put at the service of the people and helps to effect the socialist principle of the distribution of consumer goods according to work, and to meet the people's growing material and cultural requirements.

At a definite stage of the society's development, with the growth of the productive forces to a point where they can ensure an abundance of material values, with the establishment of a highly organised distribution mechanism, the fostering of the new man, and the formation of other prerequisites, there will no longer be need for commodity exchange.

Although production plays the definitive role with regard to the exchange of products since it provides the object, the thing for exchange, the latter also exerts a powerful reciprocal influence on production. The expansion or contraction of the market stimulates or limits the possibilities of production growth. Emphasising the close links between production and consumption, Engels wrote that "they constantly determine and influence each other to such an extent that they might be termed the abscissa and ordinate of the economic curve".<sup>1</sup>

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<sup>1</sup> Frederick Engels, *Anti-Dühring*, Progress Publishers, Moscow, 1975, p. 177.

## The Unity of the Reproduction Phases

Bourgeois economists regard the production of material values, their distribution, exchange and consumption as separate, independent phases which are connected only outwardly in view of the product's consecutive movement from one phase of reproduction to another, starting from production and ending with consumption. They see consumption solely as the using-up of the product created in the sphere of production. The movement of the production process itself, they believe, is determined by eternal natural laws. On the strength of that, they claim that production and consumption cannot be seen as the subject of political economy, and that the latter deals solely with distribution and exchange. Such claims by bourgeois economists have a class meaning. By separating the phases of production, bourgeois economists seek to obscure the irreconcilable contradictions of the capitalist relations of production and to present an untrue picture of the development of the capitalist society. But, as we have already seen, it is precisely the mode of production which lies at the basis of any social system. All the relations which take shape between people in the production, distribution, exchange and consumption of ma-

terial values constitute, in their unity and close interconnection, the system of production relations and the subject of political economy.

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Chapter  
Four

BY NO QUIRK  
OF CHANCE

Any science studying a particular sphere of nature and the society aims at a cognition of the laws of their movement. The discovery of the laws of nature provides men with a scientific basis for using natural resources in their own interests. To grow rich harvests one should know the laws of biology and use advanced farming techniques. Without a knowledge of nuclear physics it is impossible to build a nuclear power plant. And a knowledge of economic laws provides a basis for human practical activity ensuring the development of the productive forces and the rela-

tions of production, and promoting social progress.

## The Laws of Nature and the Laws of the Society

It could appear at first glance that man is only capable of cognising the laws of nature. Indeed, nature is marked by strict uniformities, and under definite conditions the results will always be the same. The society's development, on the other hand, is made up of actions by human beings, each of whom seems to be motivated by his own interests. That invites the conclusion that all social events are accidental and arbitrary, and that nothing can be foreseen in advance.

But such a conclusion is deeply erroneous. History is indeed made by men, but this does not mean that their true goals and motives cannot be discovered. In seemingly accidental historical events and phenomena one can discern definite uniformities.

To understand the motives of human economic activity, one should understand the essence of economic phenomena. Such an understanding cannot be gained if one starts to reason from the superficial manifestations of economic phenomena, for everyone knows that



to describe a fact and understand its true meaning is not the same thing at all. A superficial description creates no more than a semblance of truth, for that which appears at first sight often turns out to be a delusion. That is particularly true of complex economic phenomena, which should be subjected to scrupulous scientific analysis. The way of scientific research is most complicated and calls for much patience and perseverance.

Marxist political economy differs both from all earlier economic doctrines and from present-day bourgeois economic theories in that it represents truly scientific insight into the essence of economic life, making it possible to bring out the fundamental uniformities of its movement. The society's development here is seen as a natural historical process governed by objective *economic laws*. So what are *economic laws* and how do they operate?

All social phenomena, far from being isolated from each other, are interconnected and interdependent, as we have already seen in examining the interrelations of production, distribution, exchange and consumption as phases of social reproduction. Nor should one separate from each other the simplest elements of the labour-process itself: the object of labour, the instruments of labour, and the expenditure of human labour-power, that is, labour itself.

Such interaction, however, is often far from apparent at first glance, especially where human relations are covered up by a material integument. Is there any connection between gold mining in South Africa and the wages, say, of a British worker, or between a technical innovation at one enterprise and the price of products turned out at enterprises in totally different branches? There seems to be none. Actually, however, there is a connection, and often a most essential one.

To establish essential connections in the infinite diversity of economic phenomena is to get at their very substance, to establish what kind of deep-lying forces propel the economy. And that is what economic laws reflect. They express the inner objective causal connections and interrelations which have a steady existence within the system of production relations. Economic laws are the laws of the development of production relations, and govern production, distribution, exchange and consumption. The essence of production relations is brought out by the whole system of economic laws, by their totality. It was the discovery of economic laws which put the materialist understanding of history on a solid scientific basis.

The elucidation of economic laws makes it possible to regard this or that socio-economic formation as a coherent system of production

relations. In expressing the essence of economic phenomena, laws express the most stable, recurrent and essential connections.

Economic laws give a more accurate and profound reflection of reality than separate economic phenomena. Thus, the price of a commodity gives no idea of the general system of prices. That system can be understood only if one studies the laws of price formation, which depend on many socio-economic factors, including the operation of the laws governing the movement of commodities and money.

Economic laws, like the laws of nature, operate independently of human will and consciousness, i.e., they are objective. But people can cognise them and use them in their activity to attain their goals. True, the critics of Marxism argue that if there are any objective laws operating beyond us, we should simply wait for them to manifest themselves. But there are essential distinctions between the operation of natural laws and the laws of social development.

Indeed, if science has established that a solar eclipse is to take place at a particular time, the only thing to do is to make the best possible arrangements for observing the movement of the Sun and the Moon, but no one can call off the eclipse itself. The laws of social development operate quite differently. The his-

torical inevitability of a revolutionary transition from capitalism to socialism presupposes not only that the necessary material prerequisites should be created, but also that a powerful social force capable of performing that historic feat should be organised.

Economic laws arise and operate on the basis of the concrete relations of production of a particular economic system. Thus, the capitalist society is marked by objectively operating laws of competition, anarchy of production, accumulation of capital and worsening condition of the working people, by inevitable economic crises, unemployment and mass poverty. These laws cannot be abrogated or overcome through the bourgeois state's intervention in the economy.

Men cannot arbitrarily enact, amend or abrogate economic laws. That does not mean, however, that they cannot influence these laws in any way. Economic laws are engendered by definite economic conditions and wane with their disappearance. By cognising economic laws, people can use them to change the existing relations of production. Their vigorous productive and socio-political activity leads to the emergence of new relations of production with their own economic laws. Consequently, economic laws are not eternal or immutable but, in contrast to the laws of nature, are historically transient, just as the relations on whose

basis they operate. Thus, as a result of the revolutionary replacement of the old, bourgeois relations of production with new, socialist relations, the economic laws of capitalism no longer operate in the USSR and other socialist countries, where new economic laws, the laws of socialism, have emerged. So, economic laws emerge and change together with the emergence and development of the society. That is their distinction from the laws of nature, whose operation is not connected with the society's development.

Objective economic laws should not be confused with juridical laws adopted by the state. A juridical law lays down norms of behaviour for the country's citizens: that which is lawful and that which is unlawful. The state can change or abrogate a juridical law, but no state can ever establish or abrogate economic laws. It is possible, for instance, to regulate the movement of commodity prices, but no one can overcome that which lies at their basis: the objective comparability of money and commodities. It is possible to change the nominal value of money, to issue a new type of coins or banknotes, but not to abolish money as such.

In contrast to the laws of nature, economic laws express definite relations of production among people and cannot operate outside these relations. Their discovery and use, in contrast

to the discovery and use of the laws of nature, affect the vital interests of people, primarily their economic class interests.

Marxist political economy has scientifically brought out the uniformities of the society's progressive development, and has demonstrated that the downfall of capitalism and the triumph of socialism are historically inevitable. That is why the ruling classes of the capitalist countries and those who voice their interests want a "science" which would protect their interests and deny objective economic laws and regard them as a product of human will, reason and psychology, while the vanguard of our day, the working class, whose political and economic interests coincide with the society's progressive development, is interested in the scientific cognition and use of economic laws.

## The General and the Specific

Each socio-economic formation has its *specific economic laws* which operate solely within its framework, primarily its *basic economic law*, which expresses the most essential qualitative features of the given mode of production and is the law of its movement. The other specific economic laws express various essential aspects of the relations of production, determine various

phenomena and processes in the development of the given formation. The basic economic law expresses the goal of the given mode of production and the means of its attainment. It is tied in and interacts with the other specific economic laws, and plays the leading role in the whole system of economic laws operating within the socio-economic formation. None of the specific economic laws can be understood outside the context of the basic law, just as the operation of the basic law itself cannot be traced out in isolation from the other specific laws.

Under capitalism, for instance, there is a whole system of specific economic laws expressing the relations of capitalist exploitation. First of all, there is the basic economic law of capitalism – the law of surplus-value, which expresses the essence of the exploitation of wage-labour by capital, and also the law of competition and anarchy of production, the general law of capitalist accumulation, etc.

In the socialist society, the basic economic law of socialism expresses the goal of socialist production and the means of its attainment: to ensure the total wellbeing and the free and allround development of all members of the society through steady growth and perfection of social production. Among the other laws of socialism there is also the law of the planned

and balanced development of the national economy, the law of distribution according to work, the law of socialist accumulation, and other economic laws expressing the socialist relations of production.

But alongside specific economic laws there exist general economic laws, which operate in every socio-economic formation. These include the law we have already examined, that of correspondence of the relations of production to the development level and character of the productive forces, which shows the objective basis of social progress; the law of economies of labour, the law of rising human requirements, and so on. General economic laws express relations and phenomena intrinsic to all the modes of production, and show their historical connection and continuity, although the sphere and form of the operation of general laws may change markedly from one socio-economic formation to another under the influence of its specific conditions of production.

Finally, there are economic laws which operate in a number of formations, like the law of value, which is characteristic of socio-economic formations with commodity-money relations.

Political economy studies both specific and general economic laws, and examines their interaction. As Engels noted, "it must first investigate the special laws of each individual stage in



the evolution of production and exchange, and only when it has completed this investigation will be able to establish the few quite general laws which hold good for production and exchange in general".<sup>1</sup>

## Economic Categories

Political economy deals not only with economic laws, but also with a wide range of *economic categories*, each of which expresses a particular aspect of the relations of production. In their totality, they characterise the whole system of the relations of production.

Some economic categories only apply to definite modes of production. Thus, capital or surplus-value are intrinsic to capitalism, and economic calculus (*khovraschet*) or cost-value, to socialism. Other economic categories exist under different modes of production, like commodity, money, exchange, wages, etc. In spite of identical names, they express essentially different relations of production. Thus, wages under capitalism are the price of labour-power as a commodity, which is presented as payment for the whole of labour. Under socialism, wages are a form of distribution according to work, the mon-

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<sup>1</sup> Frederick Engels, *Anti-Dühring*, p. 178.

etary expressions of that part of the product which is distributed among the working people in accordance with the quantity and quality of their labour input. Capitalist profit is a form of surplus-value, or the excess of returns over the outlays of capital and fully appropriated by the capitalist. As for the profit of socialist enterprises, it is a form of the socialist society's surplus-product. It belongs to the whole society, to the working people, and does not express relations of exploitation of man by man. So, the content of economic categories, however general and abstract, changes with the development and change of the modes of production. Like economic laws, economic categories are in no way eternal or immutable but are historically transient and change together with the changing relations of production, which they express. Each mode of production has its own system of economic categories.

## Conscious Use of Economic Laws

The idea that economic laws and categories are objective is of particular importance in organising the revolutionary forces for a struggle against imperialism and in building socialism.

Socialism ushers in a qualitatively new stage in the cognition and use of economic laws.

That is because, first, socialism has an essentially new economic basis as compared with the capitalist and other exploitative systems: socialist social property in the means of production. That enables the society as represented by the socialist state to use economic laws in its activity and effect planned administration of the national economy.

Under capitalism, where private property in the means of production and profit-seeking disunite people and engender competition and anarchy, economic laws act haphazardly, as a blind destructive force. They make their way through constant disruptions and nonfulfilments only as the prevailing tendency, as the median of numerous fluctuations and digressions. With the establishment of social property in the means of production, people study and use economic laws purposefully, and the character of the operation of these laws undergoes an essential change. The difference here is similar to that between the destructive power of electricity in a lightning during a thunderstorm and the harnessed electricity of an electric lamp, or between a forest fire and the fire used in smelting metal.

Second, an extremely important point here is that the state's economic policy under socialism is based on scientific cognition and use of objective economic laws. That multiplies the impact

of the political superstructure on economic development. Under capitalism, economic laws can also be used to a certain extent. Thus, when the capitalists introduce new technology and improve production engineering in order to intensify the exploitation of wage-labour and boost their incomes, they are using the law of surplus-value and other economic laws of capitalism. That can do nothing, however, to eliminate competition, the anarchy of production or economic crises. The capitalist economy remains the victim of haphazardly operating economic laws, and its irreconcilable contradictions keep deepening and aggravating.

Under state-monopoly capitalism, which combines the power of the monopolies with the power of the state, the latter's intervention in the economy has increased. Later on, we shall consider the nature and the limits of that intervention in greater detail. And now let us merely note that such intervention has not acquired and cannot acquire decisive importance in view of the sway of private property in the means of production and the nature of the economic laws of capitalism conditioned by that property. It is effected in the interests of a handful of the biggest monopolies and is not planned in any way.

Third, under socialism, in contrast to capitalism, there are no irreconcilable antagonistic

contradictions or classes which obstruct the cognition and conscious use of economic laws. Naturally, difficulties and contradictions may arise in the socialist society as well, but these are consciously overcome. A reliable instrument used in that effort is a balanced application of economic laws to perfect the relations of production and the forms and methods of economic management, to invigorate the activity of the masses and resolve socio-economic development problems.

So, the objective character of economic laws does not mean that they operate automatically. These laws are realised in the course of practical human activity. In societies based on private property and man's exploitation of man, the economic results of human social activity are attained haphazardly, whereas under socialism the society's members act in a planned way, in accordance with goals formulated in advance. It is only under socialism that economic laws are used in a systematic and conscious way in the interests of the society and its members.

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Chapter  
Five

WITHOUT MICROSCOPES  
OR REAGENTS

Like any other science, political economy deals with a multitude of facts and phenomena. Economic life, albeit in a small village, is most diverse, with intricate patterns of human interaction. As for the economy of entire countries or the world economy as a whole, that clearly cannot be surveyed at a single glance. From the whole multitude of facts, science brings out the most essential, that which determines the laws of economic development, so making it possible to draw the correct theoretical and practical conclusions. What are the methods of research at the disposal of political economy? That

is important, for the points of departure, the instruments of research, and the principles on which facts are selected, systematised, processed and analysed depend on the choice of method. The results obtained by the researcher depend on the method as well. Only by using the correct method it is possible to consider economic phenomena in their totality and interconnection, and not only to explain economic life, but also to determine the ways of changing it in the interests of social progress.

### **The Universal Method of Cognition**

Each of the socio-economic formations studied by political economy presents a complicated and contradictory picture. If one tries to describe its purely outward manifestations without using any scientific method, one will get a chaotic conglomeration of diverse and unconnected economic phenomena. In actual fact, there is a law-governed inner connection between these phenomena.

In the society, just as in nature, the essence and the external form of phenomena often do not coincide. Take, for instance, the Earth's revolution round the Sun. At first glance, it is the Sun which appears to be revolving round the Earth, and for thousands of years peo-

ple thought that such was the case. It was only in the 16th century, when science had reached a definite level, that the Polish astronomer Nicolaus Copernicus discovered the true nature of that phenomenon, disproved the Earth-centred notion of the universe, and created a scientific heliocentric system of the world.

Nor does its essence coincide with appearance in the sphere of economic relations. If one is to get to the root of diverse and contradictory economic phenomena, to discern their inner essence beneath external appearances, and discover the laws of their development, one must have a scientific method of research. What is a method of research?

Method is the approach to the study of reality, the mode of cognition of natural and social phenomena. It is a set of rules of scientific thinking, the ways and means of reflecting the uniformities of the objective world.

*Dialectical materialism* is the universal scientific method of the cognition of the world. It is materialist, for it assumes the primacy of matter in the surrounding world. It is dialectical, for it recognises the universal interconnection of objects and phenomena in the world, and regards motion and development as the result of a unity and struggle of opposites, of the internal contradictions of this or that phenomenon.



Use of the dialectico-materialist method in political economy means that it starts from a materialist understanding of history, regards economic laws and categories in their development, and brings out the inner driving forces in the interaction of the productive forces and the relations of production.

## The Abstract and the Concrete

Materialist dialectics is a comprehensive scientific method. At the same time, that method has its peculiarities in each particular science, including political economy, in accordance with the specifics of the subject of research. Thus, the ways and procedures used in studying nature cannot be applied to economic phenomena, which are realised through human activity.

In the natural sciences, as in physics or chemistry, researchers stage experiments in laboratory conditions, where natural phenomena are reproduced in pure form, in isolation from other phenomena. Political economy, on the other hand, studies relations of production, economic laws and categories which do not exist in reality in pure form. They exist within the system of the economic relations of a given mode of production, are determined by it, and cannot be created artificially. It is hardly possible, for

instance, to set up artificial "pockets" or "enclaves" of other types of production relations in the conditions of a given mode of production. So, it was only natural that in the first quarter of the 19th century the Welsh utopian socialist Robert Owen failed in his attempt to organise a colony in the USA which he called New Harmony and which was meant to be a model of a "rational society" on socialist principles.

However, it is quite possible and necessary to sketch out the main contours of the society which is bound to supersede the old and out-dated social system. That is necessary for the practical activity of people, of the social classes whose mission is to perform that historic feat.

That is where the methods of research characteristic of political economy, primarily the *method of scientific abstraction*, come into effect. Marx wrote in his *Capital*: "In the analysis of economic forms ... neither microscopes nor chemical reagents are of use. The force of abstraction must replace both."<sup>1</sup>

In political economy, as in other sciences, research is preceded by an accumulation of facts.

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<sup>1</sup> Karl Marx, *Capital*, Vol. I, p. 19.

A simple contemplation of facts gives the most superficial idea of economic phenomena. That is the first, empirical stage in the cognition of economic relations, which gives people the most superficial impression about these relations. One will find, for instance, that goods are bought and sold for money, that the higher the price of a product, the more money one will need to buy it, etc.

A transition from that initial, empirical stage in the cognition of economic phenomena to the next, more important and complicated stage calls for at least two conditions: first, sufficient factual knowledge should be accumulated about the subject and, second, a scientific method of research should be elaborated. In political economy, such is the method of scientific abstraction.

The term "abstraction" literally means detachment or withdrawal. In daily life, by abstract people usually mean that which is out of touch with reality and exists only in thought, in the imagination, and by concrete, that which exists in reality. Such an idea of abstract and concrete, and of their correlation is unscientific. The method of scientific abstraction consists in drawing away attention from all that is secondary and insignificant, from that which makes it difficult to understand the economic relations being studied. In that process, the researcher

singles out the main, most essential and characteristic features of the economic relations being studied.

The task of scientific abstraction is not to discard all the concrete features of a particular socio-economic formation or to examine "society in general", as bourgeois economists and sociologists are prone to do. Such a "method" of research can result in nothing but empty talk and platitudes, and is bound to lead to scholasticism, which cannot yield any true knowledge of economic relations.

If abstraction is to be scientific, one should not lose touch with reality, with the main content. That is why when the macro- and micro-models of economic relations, associations, industries, etc., are designed by bourgeois economists without regard to the antagonistic essence of the capitalist relations of production such abstraction is far from scientific. In moving from the appearance of economic phenomena to their essence, to processes hidden from the eyes of an observer, true scientific abstraction does not in any way depart from concrete reality, but gives a deeper, fuller and, consequently, truer understanding of it.

Scientific abstractions are not a figment of imagination, for even the most abstract scientific theories have their origins in the real world, in economic facts and phenomena. Science is

like a tree, whose roots are always in the earth even while its crown may reach far up into the air. Scientific abstractions are a reflection in the consciousness of actual economic relations. That is what makes them materialist and what enables the researcher to rise from simple perception to the stage of scientific thinking, to gain a deeper understanding of the relations of production, and elucidate economic categories and laws.

So, the ascent from the concrete to the abstract includes a number of stages: first, from the whole mass of factual material the researcher selects that which is most important and typical, removing that which is accidental and secondary, and which obstructs the research; second, he brings out the mutual cause-and-effect connections between the various facts or groups of facts; and third, he selects the most essential, stable and recurrent cause-and-effect connections from the whole totality of interconnections. Evidently, the process of theoretical research proceeds from the outer appearance of phenomena to their inner essence, from the concrete to the abstract.

But that is only the initial stage in the study of economic relations. Once abstraction has brought out the essential features of the relations of production, one can reverse the movement and proceed from essence to appearance. In

that process, the researcher returns to the concrete phenomena of economic life from which he abstracted himself earlier on, that is, makes an ascent from the abstract to the concrete. That is not just a simple return to the initial point of the research. Since the essence of the economic relations has already been brought out, one is now able to picture the external form (integument) in which these relations manifest themselves on the surface of social phenomena.

As a result of that two-fold movement of the investigation from the concrete to the abstract and from the abstract to the concrete, the economic relations being studied appear in all their fullness and diversity, in the unity of their inner content and the diversity of the forms of their manifestation in concrete reality.

That two-fold approach characteristic of the dialectico-materialist method was effectively used by Marx in the investigation of capitalist production in his immortal *Capital*. In analysing the vast array of factual material on capitalist reality, Marx ascended from the concrete to the abstract, singling out from the whole system of capitalist economic relations the simplest, most conventional and massive relation which preceded and provided a point of departure for the emergence of all other, more complicated relations: commodity exchange. He called that re-

lation the simplest "economic cell-form" of the bourgeois society.<sup>1</sup>

Marx made an in-depth study of that "economic cell-form" and showed that it contains in embryonic form all the contradictions of capitalism. On the basis of his analysis of the commodity, which at first glance appears to be no more than a thing meeting some human want, and also a thing meant to be exchanged for money or another thing, Marx traced the historical process of the development of production and commodity exchange up to the point of the emergence of money. Ascending from the simple to the complex, he then examined the historical conditions under which money turns into capital, exposed the essence of capitalist exploitation, and formulated the basic economic law of capitalism: the law of surplus-value. That was how he brought out the real basis of the irreconcilable class contradictions between the working class and the bourgeoisie. He also scientifically proved that capitalist development was bound to create the material and subjective prerequisites for a socialist revolution and lead to a downfall of capitalism.

Each of the three volumes of *Capital*, each of its chapters and sections is a stage in the

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<sup>1</sup> *Ibid.*, p. 19.

ascent from the simple to the complex, from the lower to the higher in the cognition of the essence of capitalist production relations, of their historically transient nature. Marx characterised in depth the whole system of capitalist relations of production and examined capitalism in every way as a living socio-economic formation.

## Analysis and Synthesis

Production relations include the diverse relations which take shape between people in the production, distribution, exchange and consumption of material values. To examine these relations, it is first of all necessary to break them down into simple elements, scrutinise each of these elements in detail, and determine its place and role within the whole complex of production relations. The dissection, or breakdown, of a whole into separate elements and the study of each of these elements as parts of the whole is known as *analysis*. That method is used in chemistry to find out the composition of substances and in botany to find out the structure of a leaf. Physicists use analysis to break matter down into elementary particles, tracing their movements with the help of power accelerators. Analysis is also used in political



economy to single out and examine separate aspects of economic processes.

Once the stage of analysis is complete, that is, once the economic phenomenon has been broken down into elements and their essence has been examined, the researcher performs the reverse process, known as *synthesis*. It is the putting together of the analysed elements into an integral whole. In ascending from the abstract to the concrete, the researcher reproduces the economic phenomenon in theory, in the unity and interconnection of all its elements.

So, analysis and synthesis constitute an organic unity as two inseparable aspects of the cognition of human relations of production. The study of economic relations begins with analysis and ends with synthesis. Analysis and synthesis are an effective instrument in the hands of the political economist, making it possible not only to break down economic phenomena into components, to explore and bring out their essence, but also to establish an internal connection between all the aspects of the relations of production, and to understand the economic categories and development laws both of the components themselves and of the whole system of production relations under the given mode of production.

Since all the aspects of economic activity are closely interconnected and are in motion, the

scientific analysis of any economic law or category makes it necessary to consider it in its development and interaction with other economic laws and categories. Thus, to understand money it is not enough to know that money is exchanged for commodities. One should also know when and how money arose in history, what role it has come to play in the present-day society, and what future is in store for it.

The dialectico-materialist method implies the use of the method of scientific abstraction, the method of analysis and synthesis, and other more particular methods which are their components in unity and close interconnection.

## The Logical and the Historical

Political economy studies relations of production in their change of development. In the society, as in nature, development proceeds from the simple to the complex, from the lower to the higher. The driving force of development which brings about the transition from lower stages of the society to higher ones is the unity and struggle of opposites, the internal contradictions of a mode of production.

Use of the *logical (theoretical) method* in the study of production relations is perfectly war-

ranted, for the ascent from the abstract to the concrete reflects the actual historical process of mankind's upward development. That implies *a unity of the historical and the logical*, for theoretical research here is a reflection of the actual historical process of social development.

But that logical reflection is not a replica of the historical process. In contrast to the historical sciences, political economy does not consider the historical process in detail, with all its concrete twists and turns in different countries. The logical method used in political economy on the whole follows the general outlines of the actual historical process. At the same time, it brings out that which is most important and essential, free from its concrete form and accidental hindrances. Political economy deals with only those economic phenomena which are intrinsic to the given system of production relations. That makes it possible to present the society's development in an abstract and theoretically consistent form, and to bring out its economic laws and categories.

The method of research should be distinguished from the method of presentation. There are two methods of presentation in political economy: analytical and historical. With the analytical method of presentation, economic categories (commodity, money, surplus-value, profit, etc.) are examined in the logical

sequence in which they exist and derive from each other in a developed socio-economic formation.

With the historical method, economic phenomena and categories are examined in the historical sequence in which they emerged at different stages of the society's development.

In many works on political economy, including Marx's *Capital*, the material is presented both with the use of the analytical method and the historical method. In *Capital*, the analytical method predominates, which is only natural in a scientific work in which the results of a fundamental theoretical research are presented for the first time. As for historical data and numerous historical retrospects, Marx used these to substantiate and illustrate various theoretical conclusions. Lenin emphasised that *Capital* gives a history of capitalism and an analysis of the concepts which sum that history up.

## Quantity and Quality

Economic phenomena have a *qualitative and a quantitative aspect*, which are in close connection and interdependence, in dialectical unity. The qualitative aspect is the leading one and determines the quantitative aspect, while quantitative changes sooner or later lead to the emer-

gence of qualitatively new phenomena in economic relations.

The replacement of feudalism with capitalism, which meant the society's transition to a new qualitative state, opened up much greater opportunities for the development of the productive forces. But with the development of capitalism's productive forces, the socialisation of production reached a level when these became incompatible with the capitalist form of appropriation of the results of labour, entering into an irreconcilable conflict with that form. That meant that the capitalist society had passed into a new qualitative state, when the prerequisites for a transition to socialism had taken shape.

The relations of production are studied by political economy not only from a qualitative angle, but also in their quantitative determinacy. Thus, in exposing the essence of capitalist exploitation, it is important not only to show the process of the production of surplus-value, but also to determine the rate and mass of surplus-value being appropriated by the capitalist without compensation, that is, to show the degree of the exploitation of wage-labour by capital.

The quantitative aspect of economic phenomena is examined by political economy with the help of *mathematical and statistical methods*. Just

as chemistry, geology, biology, medicine, linguistics and other sciences, economic science has been making ever greater use of mathematics. Mathematical and statistical methods enable it to go deeper into the politico-economic content of economic phenomena, to get a better idea of the cause-and-effect connections between them, and draw up valid and accurate recommendations. All of that helps to apply theoretical conclusions to practice.

But mathematical and statistical analysis serves to present a correct picture of real economic relations only when it is based on a scientific qualitative analysis of these relations. The works of Marx and Lenin are a model of the use of mathematical and statistical methods for an in-depth study of production relations.

Bourgeois economists perform economic analyses in isolation from the qualitative content of economic phenomena or even in defiance of it, substituting sheer mathematical computations and formulas for economic theory. Many economic works and manuals published in the capitalist countries are full of tables, diagrams and charts reflecting human behaviour in different economic situations. Thus, bourgeois economists often use so-called "preference curves", which are meant to reflect the correlation between supply and demand for purposes of price formation, while the actual laws govern-

ing the movement of commodities, the laws reflecting the bourgeois economy, are disregarded.

Mathematical and statistical methods, however important, should not be overestimated. They are mostly of applied, practical significance, are used as an auxiliary instrument in realising the conclusions of economic theory. In the socialist countries, these methods are successfully used to determine national-economic proportions, prognosticate structural changes in the production, distribution and use of the aggregate product and the national income, to determine the rate of economic growth, and assess other quantitative aspects of the national economy.

But quantitative indicators cannot express the whole abundance of economic property relations between people. As Engels noted, economic relations cannot be expressed in physical measures.<sup>1</sup> Although mathematical and statistical methods play a major role in the examination of quantitative uniformities, they can never predominate in political economy. The primacy here belongs by right to the power of scientific abstraction, which reveals the qualitative content of economic relations.

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<sup>1</sup> See "Engels an Marx in Ventnor, 19. Dez. 1882", in: Marx/Engels, Werke, Bd. 35, Dietz Verlag, Berlin, 1967, p. 134.

## Social Practice

Cognition of the objective world, including the society's economic life, proceeds from living contemplation to abstract thinking and then on to practice.

That is also what happens in daily life when, say, a potential buyer first examines and tries on a garment, then takes a decision, and finally acts: either buys it or doesn't. But let us not oversimplify matters, for in scientific cognition everything is much more complicated. All the more so in political economy, which seeks to discern the true essence of phenomena beneath their often deceptive appearance. Living contemplation here can only distinguish the superficial economic forms, while scientific thinking alone makes it possible to rise to the necessary stage of cognition, to get to the very heart of economic relations, understand the categories and laws of their development, and formulate conclusions for practice. But the process of the cognition of economic relations does not end at that.

The final stage of cognition is *social practice*, which confirms or invalidates the theoretical conclusions and generalisations elaborated by scientific thinking. It makes it possible to test the truth of the knowledge about the economic



laws and categories discovered by political economy, to establish how well the ideas on the essence of production relations and the laws of their development correspond to real economic life. With the transition from scientific thinking to practice, the knowledge of economic processes reaches a higher level, is tested and enriched with new elements. The unity and close interconnection of scientific theory and social practice ensure the validity of the conclusions drawn by Marxist political economy as an instrument in the revolutionary transformation of the old society and the building of a new, communist society.

In the conditions of the planned socialist economy, *economic experiment* plays an important role in testing the theoretical conclusions of political economy. It is used in the socialist countries to find ways of perfecting economic management and planning, methods and incentives to higher labour productivity.

To test the effectiveness of a proposed economic measure, pilot schemes are usually launched at one or several enterprises in the country, and only after that is it decided whether that experience should be used on a national level. The large-scale experiment going on at enterprises in various industries in the USSR is indicative in that respect. Its purpose is to try out and perfect in practice the main

elements of a modern system of socialist management.

The ever broader use of economic experiments does not belittle the role of scientific abstraction, for theoretical research usually precedes the staging of an economic experiment, continues parallel with it, and is used in the processing and analysis of its results. The economic experiment, for its part, makes it possible to test the theoretical conclusions in practice and to decide whether the projected measures are worthwhile and effective.

The application of the comprehensive dialectical method in studying relations of production has its own specifics depending on the mode of production being studied: capitalist or communist. In studying socialist production as a single whole, which is based on collectivist principles and whose economic laws manifest themselves in a systematic form, one cannot use the very same methods that are used to study haphazard capitalist production based on private property and the exploitation of wage-labour. Moreover, the political economy of socialism, whose purpose is to elaborate the basic scientific principles of state economic policy, the principles of socialist administration and management, should pursue its theoretical research up to the point of concrete conclusions and practical recommendations which have both qual-

itative and quantitative aspects. The development of the political economy of socialism goes hand in hand with a perfection of the methodology of research. That is an integral, interconnected process which continues the work done by Lenin, who laid the foundations of the political economy of socialism and showed the specific features of its research method.

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Chapter  
Six

THE GREAT POWER  
OF IDEAS

**T**he history of economic doctrines is a ceaseless struggle of ideas, a struggle of opposite views dictated by the strivings and interests of antagonistic classes. The course of the study of economic processes and phenomena and the results obtained were also fundamentally different. The ideologues of the ruling exploiter classes elaborated their economic theories on the assumption that the existing economic relations, based on one form of exploitation or another, were eternal and immutable. Such views were often propped up by religious dogmas about all human activity being foreordained by God. Such were also the initial

positions of those philosophers and economists who linked the motives of economic processes with man's very nature, his inborn feelings and mentality.

As a matter of fact, such views are not confined to the yellowed pages of old manuscripts, but are to be found in many present-day Western manuals on economics being promoted in many capitalist and developing countries. The thing that strikes the eyes in all these manuals is that however different their content, all of them propound one and the same idea: defence of capitalism, of its whole set-up and its "eternal truth and justice".

That shows yet again that political economy has always been and will remain a class and ideological science. True, most bourgeois researchers prefer to say nothing about that. Marxism alone has openly and resolutely told the world that it is the revolutionary doctrine of the proletariat, the most advanced and revolutionary class of our day, and that Marxist political economy is its ideological weapon in the struggle against the oppressors.

The emergence of Marxism meant a revolution in political economy, which was placed on a truly scientific basis. That was a revolution not only in the scientific understanding of the essence of production relations, economic laws and categories, but also in the method of re-

search. It explained social practice in a new way, recognising its decisive role in the society's social progress. Having taken hold of the masses, Marxist ideas have become the greatest material force in the revolutionary transformation of the society.

## A Revolution in Political Economy

Marx made an immense contribution to various social sciences, answering questions formulated by progressive human thought. Philosophers, political economists, historians and sociologists have every reason to say that the brilliant thinker revolutionised their science. Without belittling his contribution to the development of all the social sciences, one should note that his main endeavour was in political economy. Frederick Engels, Marx's true friend and associate, was always by his side. Engels wrote such outstanding works which contributed to the emergence of Marxist political economy as *The Condition of the Working Class in England*, *The Origin of the Family, Private Property and the State*, *Anti-Dühring*, and others. He gave Marx invaluable assistance in writing *Capital* and preparing it for publication.

Marxist political economy, like the other components of Marxism, did not arise on some by-

road of human history but, as Lenin emphasised, emerged as a "direct and immediate continuation" of mankind's best achievements in the 19th century as represented by German philosophy, English political economy, and French socialism.<sup>1</sup>

### Philosophical Basis

In their economic research, Marx and Engels critically reworked and creatively applied from the positions of the revolutionary proletariat the greatest achievements of *German classical bourgeois philosophy*: the dialectics of Georg Wilhelm Friedrich Hegel and the materialism of Ludwig Andreas Feuerbach.

The extension of the materialist view to the development of the society was of fundamental importance for the emergence of Marxist political economy. Marx and Engels criticised the idealistic and religious views of Feuerbach, who was a materialist in his views on nature, but regarded the history of social development from an idealistic standpoint. He believed, for instance, that various periods in the development of the human society differed from each other only

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<sup>1</sup> V. I. Lenin, "The Three Sources and Three Component Parts of Marxism", *Collected Works*, Vol. 19, Progress Publishers, Moscow, 1980, p. 23.

in terms of religion. The founders of scientific communism also exposed the purely contemplative character of Feuerbach's world outlook. An essential point for them was to show that it was not enough to give a materialistic explanation of the world, but that it was necessary to change it. And that proposition has found its brilliant expression in Marxist political economy, whose scientific conclusions illuminate the way to a revolutionary transformation of the world.

Marx and Engels also made a critical, materialist reappraisal of Hegel's idealistic dialectics, turning it "right side up". In contrast to Hegel, they applied dialectics to the development of the objective world, rather than of an "absolute spirit" or "absolute idea". Marx wrote that his "dialectic method is not only different from the Hegelian, but is its direct opposite".<sup>1</sup> Marx's materialist dialectics does not recognise any bounds to the development of nature and the society, anything eternal or immutable, and asserts the necessity of replacing the old with that which is new and more progressive. In application to political economy this means that no economic law or category can be regarded as immutable, but should be considered in ceaseless motion in accordance with

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<sup>1</sup> Karl Marx, *Capital*, Vol. 1, p. 29.



the ever developing economic life. The source of that movement does not lie in any external, supernatural forces, but in the unity and struggle of the opposites that are inherent in every economic phenomenon and in the whole economic system of the society.

Creatively combining a materialist explanation of the world with a dialectical approach to the analysis of social phenomena, Marx and Engels refuted the long-accepted idealistic notions of the society and showed the true history of mankind's social development, demonstrating the decisive role of the working masses as the producers of material values.

A characteristic feature of the dialectico-materialist method is its revolutionary, critical spirit. Thus, in studying capitalist relations of production, political economy takes a critical view both of these relations and of the corresponding bourgeois economic theories, showing the latter's subservient role as defenders of capitalism. The substantiation and masterly use of the dialectico-materialist method in *Capital* and other works by Marx and Engels are a part of the revolution they effected in political economy.

Lenin, the great successor to the cause and teachings of Marx and Engels, developed Marxist political economy and raised it to a new level under the new historical conditions. On

the basis of Marxist philosophy, he brilliantly applied the dialectico-materialist method in analysing capitalism in its highest and final phase, the phase of imperialism, and in exploring the uniformities of socialist and communist construction. Lenin's works, which marked a new stage in the development of Marxist political economy, were a direct continuation of Marx's *Capital*.

## Ideas on Socialism

In developing the political economy of the working class, whose ultimate goal is the revolutionary overthrow of capitalism and the society's transformation on socialist lines, Marx and Engels made a critical review of earlier socialist doctrines.

The great utopian socialists of the second half of the 18th and the first half of the 19th century—Claude Henri Saint-Simon, Charles Fourier and Robert Owen—expressed in their works the striving for a new type of society without any exploitation of man by man or any other form of social inequality. But they did not understand the historical role of the proletariat as the grave-digger of capitalism and the architect of a new society, and rejected class struggle in general and revolutionary activity in particular. While criticising the utopian socialists for

these views, Marx and Engels highly appreciated their sharp criticism of the evils of capitalism and the fact that they were the first to envision socialism as a new and just system without any divisions into the rich and the poor, exploiters and exploited. The great utopian socialists had brilliant insights about socialism and communism, about emulation among the working people, elimination of the antithesis between town and country, etc.

### Historicism in the Views on the Society

Marx has a high opinion of the 19th-century *French historians* Augustin Thierry, Auguste Mignet and François Guizot, who, in spite of their class limitedness, tried to present the society's history as a history of peoples. They focussed their attention on the actual position of classes and estates, on the role of their economic interests and of property relations in social development. At the same time, the great teachers of the working class criticised the French historians as bourgeois ideologues who could not give a scientific explanation of the origins of classes, obscured the class antagonisms of the bourgeois society, and saw it as a natural and eternal state of mankind.

Marx's *Capital* contains a wealth of factual material on the history of Egypt and Babylonia, Greece and Rome, India and China, Germany, France, England and other European states. On the principle of the unity of the historical and the logical, Marx investigated the economic relations of capitalism against a broad historical background, analysing a vast spectrum of factual material. One of the main reasons why Marx's revolutionary theory is true and, consequently, all-powerful lies in its historical validity.

Having made a critical study of the works of the great utopian socialists and the French historians, Marx formulated three essentially new propositions: 1) the existence of classes is connected with definite historical forms of social production, 2) class struggle inevitably leads to the dictatorship of the proletariat, and 3) that dictatorship itself only paves the way for an elimination of classes and a transition to a classless society. The history of social development and the class struggle has fully borne out Marx's revolutionary conclusions.

Lenin subsequently amplified in accordance with the conditions of imperialism many Marxist propositions on the forms and methods of the proletariat's revolutionary struggle, on the socialist revolution and the downfall of capitalism, and on the uniformities of the

transition to communism. Under Lenin's direct leadership, the Marxist doctrine was for the first time translated into practice in the course of the Great October Socialist Revolution and socialist construction in the USSR. Whereas Marx and Engels had turned socialism from a utopia into a science, Lenin elaborated that science and worked to translate its revolutionary ideas into social practice.

## The History of Economic Research

In developing his economic theory, Marx used the works of the classics of bourgeois political economy, which reached its peak in England in the late 18th and early 19th centuries in the works of Adam Smith and David Ricardo. Lenin called classical bourgeois political economy one of the sources of Marxism. Let us go over to the main stages in the emergence and development of pre-Marxian political economy.

The earliest attempts to interpret the facts of economic life were made long before political economy branched out into an independent science in the 17th century. People cultivated land, tended livestock, engaged in the handicrafts, and bought and sold goods on the market, entering into definite economic relations with other people. Even in running an indi-

vidual economic unit, one had to know how to work more productively and to sell the resultant products at a profit, in short, how to run production more economically. The ancient Egyptians, Greeks, Hindus and other peoples already knew such economic categories as commodity, exchange, money, price, loan interest, commercial profit, and others.

All of that was reflected in commands, laws and precepts, in literary and scientific works. Interesting ideas and data on economics can be found in ancient Egyptian papyri, the Code of Hammurabi, the ruler of Babylonia; the Vedas of ancient India; Homer's *Odyssey* and other works by the ancient Greek poet; the writings of Xenophon, Plato, Aristotle and other philosophers of Greek antiquity, and so on.

At first, economic thought was closely intertwined with other forms of knowledge about the society. Most of the data concerned the everyday economic life of the ancient peoples, while economic thought as such, which implies a study of economic phenomena and theoretical generalisations, was still embryonic. The history of economic thought starts with the works of Xenophon, Plato and especially Aristotle, who made the first step towards a theoretical understanding of the economy of the ancient Greek society (which was at the stage of the erosion of the primitive-communal system and the rise

of slavery), and expressed some remarkable ideas on value, commodity exchange, and the earliest forms of capital: trading (merchant's) and usury capital. Engels highly appreciated the contribution made by the ancient Greek scientists to the development of economic thought, and noted that in that sphere "they show the same genius and originality as in all other spheres. Because of this, their views form, historically, the theoretical starting-points of the modern science".<sup>1</sup>

With the emergence and development of capitalism, the expansion of the market, and the advance from feudal fragmentation to centralised states, it became necessary to draw up a code of rules for running the whole national economy, instead of individual economic units. That led to the emergence of political economy, which expressed the interests of the nascent bourgeoisie.

Bourgeois structures first took shape not in production, but in trade and monetary operations, so that the first politico-economic doctrine was called *mercantilism* and expressed the interests of merchant's capital. That line of economic thought emerged in the early 17th century and gained wide currency in Italy, England, France, and eventually in Russia. Its main rep-

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<sup>1</sup> Frederick Engels, *Anti-Dühring*, p. 271.

representatives were William Stafford and Thomas Mun in England, Antonio Serra in Italy, Antoine de Montchrestien in France, A. L. Ordin-Nashchekin and I. T. Pososhkov in Russia.

The mercantilists believed that trade was crucial to the economy, and that gold and money were the main form of wealth. Hence their recommendations in the sphere of state economic policy. They demanded vigorous state intervention in the economy in the interests of the merchants and advanced the following principle: to buy cheaper and to sell dearer, seeking an active trade balance. With that aim in view, the mercantilists proposed an expansion of foreign trade in order to obtain gold in return for goods while preventing its export. They believed that the state should follow a protectionist policy: encourage the development of national industry working for export and, at the same time, limit the import of goods which have to be paid for in gold. Although the mercantilistic theories stemmed from a description of superficial phenomena in the process of circulation, they were the first theoretical generalisation of bourgeois ideas.

The term "political economy" was first used by the French mercantilist Antoine de Montchrestien in his *Treatise of Political Economy* (1615), which contained recommendations on how to run the state economy and multiply



the country's wealth. The term "political economy" was derived from the Greek words *politikos*—state, social; *oikos*—household or its management; and *nomos*—rule or law, and so meant "the laws of state management".

Even after it got its name, however, political economy did not all at once stake out its proper subject-matter. Initially, it dealt with such matters of the state's domestic and foreign policy as foreign trade, the issue of money, taxation, etc. In contrast to age-old housekeeping, political economy in the mercantilistic period in effect amounted to a code of rules on the management of state affairs.

Later on, bourgeois political economy was developed by the physiocrats: François Quesnay, Anne Robert Jacques Turgot, and others. In contrast to the mercantilists, they switched the emphasis in economic research from the sphere of circulation to the sphere of production and so laid the groundwork for an analysis of capitalist production, even though they confined the sphere of production to agriculture, while mistakenly including industry in the non-production sphere of the economy.

The period from the 17th century to the 1830s was marked by an ascendant development of bourgeois political economy. That was primarily due to the requirements of growing capitalist production, trade and banking. In these

conditions, it was necessary to analyse economic phenomena and development uniformities on the scale of whole countries rather than individual economic units, to determine the principles of their economic relations with other countries, and elucidate the new role of the state, which not only protected the wealth of the bourgeoisie, but also helped to multiply it.

Bourgeois political economy in that period was advanced by William Petty (England) and Pierre Boisguillebert (France) who were the first to formulate the labour theory of value. They were the founders of *classical bourgeois political economy*, which reached its peak in the works of the Scottish economist Adam Smith and the English economist David Ricardo.

The representatives of the classical school of bourgeois political economy voiced the interests of the bourgeoisie in the historical period when it was a rising class and was carrying on a struggle against feudalism, and when the contradictions between wage-labour and capital did not as yet leap to the eyes. The ideologues of the bourgeoisie in that period saw the bourgeois society which was coming to replace feudalism as a more progressive and rational form of social living, corresponding to human nature and interests. That is why bourgeois ideologues at that time were still interested in an

honest analysis of the capitalist economy and its development laws, and achieved significant scientific results.

In contrast to the mercantilists, the classical political economists went over from describing superficial economic phenomena connected with the trade and fiscal policy of the state to an analysis of production and its internal development laws. Having overcome the limitations of the physiocrats, they studied not only agricultural, but also – and mostly – industrial production. They established that material production (irrespective of its branch) and labour itself are the main source of “the wealth of nations”, so laying the foundations of the labour theory of value. According to their theory, the value of a commodity being exchanged in a certain proportion for another commodity is determined by the labour that has gone into its production.

The classical economists, primarily Adam Smith and David Ricardo, discovered the inherent, “natural” laws of the development of capitalist production and were on the verge of pinpointing the actual source of the wealth of capitalists, traders, bankers and landowners. It followed from their theory that such a source was the labour of workers at capitalist plants and factories, fields and farms. The greatest progress in that direction was made by David

Ricardo, whose original works complete the classical school. He showed the class structure of the bourgeois society and pointed out the antithesis between the economic interests of the proletariat and the bourgeoisie, although he saw that as a manifestation of the natural order of things.

The ideas of the classical school, which were the banner of the rising bourgeoisie, spread across England, France, Germany, Russia and other countries. Political economy began to be taught at universities, and a knowledge of it came to be seen as a necessary element of man's education.

Adam Smith and David Ricardo not only expressed novel and profound ideas, but also made bold practical recommendations urging a removal of guild regulations in running industrial production, free movement and hire of labour, free purchase and sale of land, and free foreign trade, a lifting of tariffs and duties in the circulation of goods within a country, etc. All these recommendations, which in effect amounted to a code of demands on lifting feudal and guild regulations and giving free scope for the development of capitalist production and exchange, were welcomed and advocated by the growing bourgeoisie with great enthusiasm.

But in view of their narrow bourgeois ap-

proach, Adam Smith and David Ricardo saw capitalism as the only reasonable, perfect and eternal social system which was most in harmony with human nature. They could not rise to an understanding of its historically transient character, of the social roots and perspectives of the class struggle.

It was Marx and Engels who developed a truly *scientific proletarian political economy*, which revolutionised economic science. The founders of scientific communism resolved the major problems of economic theory in a new way, from the standpoint of the proletariat, the advanced and inherently revolutionary class, and gave a scientific definition of the subject of political economy. Where bourgeois economists took a superficial view of phenomena and saw nothing but a movement of things, Marx and Engels used the method of dialectical materialism to bring out and examine the economic relations between people which lie at the root of all social relations.

Many bourgeois historians and historiographers distort the truth by including Marx among the rank-and-file disciples or followers of Ricardo, as also among the followers of Feuerbach and Hegel, Fourier, Owen and Saint-Simon. But Marx was a brilliant disciple who far surpassed his teachers and pointed out the way that would lead mankind to a new historical epoch, to com-

munism. Even a brief description of all the essentially new elements introduced by Marx into political economy as compared with the representatives of the classical school would take a long time. After all, Smith and Ricardo merely outlined some important theoretical propositions on the essence of capitalist production, groping their way out of their bourgeois mentality. Their propositions were no more than "brilliant guesswork", whereas Marx scientifically substantiated and elaborated them in every way.

Engels specially emphasised two of Marx's greatest discoveries, which enabled him to develop the theory that has come to be known as Marxism, to turn political economy into a science and so to put it at the service of the working class: first, the materialist understanding of history and, second, the theory of surplus-value.

Lenin called the theory of surplus-value the cornerstone of Marxism. And that is only natural, for the discovery of surplus-value and the investigation of its essence irrespective of the outer forms of its manifestation (it can take the form of profit, interest, ground-rent, etc.) enabled Marx to lay bare the basic economic law of capitalism, the law of surplus-value, which expresses the goal of capitalist production and the means of its attainment. That

exposed the economic basis of the irreconcilable class contradictions between the proletariat and the bourgeoisie. The doctrine of surplus-value, which showed the mechanism of capitalist exploitation, drew a fundamental dividing line between the Marxist economic theory, which contains scientific proof that capitalism is bound to be replaced by socialism as the new social system, and bourgeois political economy, whose purpose is to justify and perpetuate capitalism.

Marx discovered the economic laws of the emergence, development and downfall of capitalism. He showed that the whole course of the development of capitalism and the class struggle prepared the material and subjective prerequisites for a socialist revolution. The development of large-scale machine production and the growth and improving organisation of the working class – the grave-digger of the bourgeoisie – makes such a revolution inevitable. So, Marx substantiated in economic and political terms the historical inevitability of the downfall of capitalism and the triumph of socialism. The discovery of the proletariat's role in world history as the grave-digger of capitalism and the architect of the socialist society is the crucial point of Marx's doctrine.

## The Most Terrible Missile That Has Yet Been Hurlled at the Heads of the Bourgeoisie

*Capital* was Marx's main work, which revolutionised the views on the development of the society and which put political economy on a scientific basis. While being a philosophical and historical work, *Capital* is primarily devoted to a substantiation of economic theory, a discovery of the economic law of capitalist development: the law of surplus-value.

In that truly encyclopaedic work, Marx investigated capitalism as a living socio-economic formation, with its economic relations, the antagonism between its opposite main classes, the proletariat and the bourgeoisie, with its bourgeois political superstructure, which safeguards the interests of the capitalists, with the bourgeois ideas of freedom and equality, with its bourgeois family, everyday and other aspects.

Regarding *Capital* as his lifework, Marx perseveringly worked on it for almost 40 years, from the 1840s right up to his death in 1883. The first volume was published in 1867 by Marx himself, while the other volumes remained uncompleted. As it was already noted, Engels gave Marx immense assistance in the writing and publication of *Capital*. Upon Marx's death, it



took Engels 11 years of serious work to complete the next two volumes and prepare them for publication. Volume 2 was published in 1885, and volume 3, in 1894. Highly appreciating that titanic effort, Lenin wrote that the second and third volumes of *Capital* "are the work of two men: Marx and Engels".<sup>1</sup>

In 1895, Engels died and was thus unable to prepare volume 4 for publication. That volume of *Capital* was first published in 1905–1910 by Karl Kautsky, who "reworked" the text in an arbitrary way, revising some crucial propositions of Marxism. That is why the Institute of Marxism-Leninism under the CPSU Central Committee prepared and published volume 4 of *Capital* (in three books) in the period from 1954 to 1961, carefully preserving the theoretical legacy contained in Marx's manuscripts.

Volume 1 of *Capital* gives an analysis of the production of capital, volume 2 deals with the circulation of capital, volume 3 contains an analysis of capitalist production as a whole, and volume 4 (*Theories of Surplus-Value*) is the historical, historico-critical and historico-literary part of Marx's great work. *Capital* was subtitled "A Critical Analysis of Capitalist Production", and that fully corresponds to its content. While

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<sup>1</sup> V. I. Lenin, "Frederick Engels", *Collected Works*, Vol. 2, 1977, pp. 25-26.

spelling out the law of the motion of capitalism, it contains a critique of bourgeois political economy. That agreed very well with Marx's task: to provide the proletariat with a theoretical weapon in its struggle against the bourgeoisie. Engels was quite right in calling *Capital* the most terrible missile that has yet been hurled at the heads of the bourgeoisie.

The first foreign language into which *Capital* was translated (in 1872) was Russian. The Marxist economic theory fell on fertile soil in Russia, rapidly struck deep root, and burgeoned to luxuriant growth.

## The Subject-Matter of Marxist-Leninist Political Economy

The conversion of political economy into a science implied a precise definition of its subject. The material presented above gives some idea of that subject, and will help to gain a deeper understanding of its content.

Here is a brief description of the main characteristic features of the subject of Marxist-Leninist political economy.

First, Marxist-Leninist political economy studies the social side of production, rather than its technical side (which is the subject of the natural and technical sciences). It does not exam-

ine material production as such, but the social relations between people concerning production, the social system of production, including the relations of distribution, exchange and consumption, that is, relations in all the phases of the reproduction of material values.

Second, Marxist-Leninist political economy studies the relations of production in close connection and interaction with the development of the productive forces. It does not study the productive forces from the technical angle, but in their unity and interaction with the relations of production, that is, from the standpoint of their place in the mode of production. Thus, a machine as such is an implement of labour which is not an economic category in itself. But when it is seen as an object of property, its use in production is connected with definite economic relations between people, which are studied by political economy. Consequently, the relations of production are studied in unity with the productive forces, as the economic forms of the latter's development.

Third, Marxist-Leninist political economy studies the relations of production, or the society's economic basis, not only in interaction with the productive forces, but also with the superstructure rising on that basis. Although the superstructure is determined by the economic basis, it exerts a reciprocal influence on the

economic basis, accelerating or slowing down its development. Thus, present-day state-monopoly capitalism has been actively intervening in the relations of production in order to intensify the exploitation of the working people, moderate the contradictions between labour and capital, and strengthen the capitalist system. Naturally, many deep-rooted phenomena in the economy and politics of present-day capitalist societies cannot be explained without a profound understanding of the essence and forms of that intervention.

And fourth, Marxist-Leninist political economy is a historical science, which deals with the constantly developing society. It elucidates the laws of the society's transition from one form of production to another. The production relations of capitalism and other antagonistic societies based on man's exploitation of man are examined in their emergence, development and decline.

Political economy studies the five modes of production known in history, analyses the development from the lower stages of social production to its higher stages, and shows the rise, development and downfall of social systems based on exploitation. It shows how the whole course of historical development paves the way for a triumph of socialism and communism. The attempts to stop or reverse the progressive

course of social development are doomed to fail.

Political economy first emerged as the *political economy of capitalism*, i.e., in the narrow sense of the word. That is only natural, for it branched out as an independent component of economic science at the time of the assertion of capitalist production in Europe. That gave rise to the erroneous view that political economy was a science whose subject was historically confined to capitalism, to capitalist commodity relations in particular. Some mistaken ideas on the future of political economy under socialism were also expressed in that context. It was asserted, for instance, that in the conditions of the planned socialist economy, when production relations would become "clear and transparent", political economy would no longer be necessary and could be replaced by another science, like rational organisation of the productive forces. Such a standpoint in effect amounts to a denial of objective economic laws under socialism. And if economic laws are overlooked, the very subject of economic science is lost as well.

The historical framework of the subject of political economy gradually expanded, forming *political economy in the broad sense of the word*, which embraces all the modes of production, from the primitive-communal to the communist. Engels called it "the science of the conditions and

forms under which the various human societies have produced and exchanged and on this basis have distributed their products".<sup>1</sup> The emergence of political economy in the broad sense of the word is primarily connected with the works of Marx and Engels. Although *Capital* is focussed on an in-depth study of capitalism, Marx also described the precapitalist forms of the economy—feudalism, slavery and the primitive-communal system, emphasising their common features and distinctions. He also made scientific prognostications on the essence of economic relations in the future communist society of associated producers. *Capital* is not only a fundamental study of the capitalist mode of production but, in effect, a veritable politico-economic encyclopaedia containing the basic propositions which characterise all the socio-economic formations.

Lenin played a great role in the formation and development of political economy in the broad sense of the word. His *Development of Capitalism in Russia* and other works contain a wealth of material characterising in great depth the economy of feudal serfdom, petty-commodity production, the process of capitalist development in Russia and other countries. Apart from examining the capitalist mode of production in every

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<sup>1</sup> Frederick Engels, *Anti-Dühring*, p. 181.

way, Lenin developed a theory of imperialism as the highest and final stage of capitalism. Another Lenin's historic achievement was that he elaborated the basic principles of the political economy of the communist mode of production.

Political economy in the broad sense of the word is a coherent science, with a coherent subject and method. Its conclusions on the production relations, economic categories and laws of one mode of production or another apply to any historical period and any country with that mode of production. Hence, there can be no special political economy, say, for the capitalist countries of Europe, the newly free countries of Asia, Africa and Latin America, or the socialist countries of Europe, Asia and Latin America.

That circumstance should be emphasised in view of the fact that many present-day "refuters" of Marxism try to present it as a doctrine which applies solely to the countries of Western Europe but does not reflect the development peculiarities of vast regions of the world, where capitalist relations have not reached such a high degree of development. Such allegations are a deliberate distortion of Marxism, including its economic theory, for that theory shows the essence of the objective processes taking place on the basis of private property, and traces

the uniformities of capitalism from the time of its formation, through its various stages, and up to the completion of its final, imperialist stage, which is the eve of the socialist revolution. The Marxist-Leninist doctrine has never denied the possibility that in favourable historical conditions some countries can shorten the phase of capitalist development or even bypass it altogether. The historical record of a number of countries has confirmed these conclusions and so also the indisputable international relevance of Marxism-Leninism.

So, *the subject of Marxist-Leninist political economy is the historical sequence of the systems of production relations, that is, the economic relations between people. Political economy studies the economic laws that govern the production, distribution, exchange and consumption of material values in society at different stages of its development.* It studies the economic system of social production, the economic basis of the society, the basis of all political, philosophical, ideological, juridical, aesthetical and other views and convictions. That is why political economy provides the methodological basis for the other social and economic sciences (history, economic history, economic policy, statistics, specific economic disciplines, juridical sciences, etc.), each of which has its own subject of research. On the strength of the theoretical conclusions drawn by political economy, all these sciences study various



economic phenomena taking place in the national economy and its separate branches, the concrete manifestations of economic laws, and elaborate practical economic programmes.

Marx's economic doctrine and its most profound, allround and detailed substantiation and use constitute the main content of Marxism. That follows from the materialist understanding of history, from the very nature of the subject of research.

### **The Subject of Political Economy as Seen by Bourgeois Researchers**

The classical political economists, especially Adam Smith and David Ricardo, separated political economy from economic policy and probed the internal, "natural" laws of the development of production, distribution and exchange of material values. But they still saw political economy as a science of "wealth". Thus, Adam Smith's main work is called *Inquiry into the Nature and Causes of the Wealth of Nations*. Such a general, nonhistorical concept of "wealth", which is characteristic of bourgeois economists, is meaningless, for it does not reflect any concrete economic conditions and confines research to the sphere of quantitative rather than qualitative characteristics.

The nonhistorical concept of "wealth", which stems from an assumption of the eternity of capitalism, suits bourgeois economists very well. It helps to obscure the concentration of wealth and poverty at opposite poles of the bourgeois society, whereas if one analyses the concept of "wealth" from a historical and class angle one will find different notions of the content of wealth and the ways of its amplification. For primitive man, for instance, wealth meant a stone tool which he could use to obtain food. For a slave-owner, wealth meant a large number of slaves. The bourgeois conceives wealth as stocks and shares which yield huge dividends and entitle him to own oil or steel undertakings. For the present-day arms manufacturer, who represents the military-industrial complex, wealth is a possibility to produce a stockpile of weapons which can destroy the human civilisation. In contrast to that, the true measure of wealth in the socialist society is man himself, his talent, industry, creative inspiration and moral purity.

As capitalism developed and its contradictions were aggravated, bourgeois political economy was vulgarised and the views on its subject changed accordingly. Thus, the representatives of the so-called historical school (Wilhelm Roscher, Bruno Hildebrand, Karl Knies, and others) believed that political economy was a science

of the "national economy" and that its purpose was to describe the concrete historical forms of the national economy, to study the machinery and technology of its various branches. In other words, descriptions of superficial economic phenomena were substituted for the study of production relations and economic laws.

The representatives of the Austrian school (Eugen Böhm Bawerk, Karl Menger, William Jevons, and others), who formulated the theory of "marginal utility", saw the subject of political economy in people's attitudes to things, in the subjective psychological assessments of the utility of these things. In other words, research was centred on the mentality of the economic agent instead of the relations of production between people.

But the human mentality, being a form of consciousness, is itself determined by the material conditions of life in the society, by its economic system. The key to an understanding of economic phenomena does not lie in the human mentality, but in the scientific cognition of objective economic laws.

Bourgeois economists seek to rupture the inner connection between production and distribution in order to prove that by regulating the sphere of distribution it is possible to "harmonise" the class interests of the bourgeoisie and the workers without changing the foundations of capitalist

production. In view of that, many bourgeois economists regard political economy as a science studying the activity of people aimed at obtaining material values to meet their needs. Thus, the founder of the Cambridge school of political economy Alfred Marshall and other bourgeois economists substitute man's relations to a thing and its utility for the relations of production between people, and regard economic processes from a psychological angle, from the standpoint of consumer utility.

The social trend in bourgeois political economy sees its main subject in the social form of the economy, meaning the juridical and ethical relations between people. But these relations belong to the superstructure and not to the economic basis. They are merely an ideological reflection of the material, objective economic relations between people which take shape in the process of production.

Many present-day bourgeois economists have in effect replaced political economy with economic policy. John Maynard Keynes, the founder of the modern bourgeois school of the regulated economy, sees political economy as a set of means and instruments for giving emergency aid to capitalism, as the art of carrying out economic-policy measures.

A nonscientific understanding of the subject of political economy is also characteristic of

the technological trend in present-day bourgeois political economy, which has been developing under the ongoing scientific and technical revolution. The theorists of technological conceptions regard economic relations and laws as a mere reflection of scientific and technical progress. They see technology as a self-evolving entity whose movement creates the economic relations both of present-day capitalism and socialism. Since scientific and technical progress is so rapid, they say, ever new development opportunities are opening up before capitalism, which is being transformed into a more perfect society, a society without any class contradictions. Hence the theory of "convergence" (drawing closer together) of capitalism and socialism, the distinctions between which are dismissed as inessential and amounting solely to differences in political and ideological views, which can be easily overcome.

Modern economic textbooks and manuals meant for institutions of higher learning in the capitalist countries usually include elements of sociology, law, psychology, anthropology and other sciences. Such an "expansion" of the subject of political economy in effect diverts economic science from studying the obsolete bourgeois relations of production.

Moreover, bourgeois economists now tend to discard the term "political economy" altogether,

preferring to call the science "economics". Such is the title, for instance, of a manual by the well-known US economist Paul A. Samuelson. In a paragraph entitled "What economics is", the author lists some of the widespread definitions of the subject of bourgeois political economy.

"1. Economics is the study of those activities which, with or without money, involve exchange transactions among people.

"2. Economics is the study of how men choose to use scarce or limited productive resources (land, labor, capital goods such as machinery, and technical knowledge), to produce various commodities (such as wheat, beef, and overcoats; concerts, roads, bombers and yachts) and distribute them to various members of society for their consumption.

"3. Economics is the study of men in their ordinary business of life, earning and enjoying a living.

"4. Economics is the study of how mankind goes about the business of organizing its consumption and production activities.

"5. Economics is the study of wealth."<sup>1</sup>

As we find, these definitions have much in common with the mercantilistic notions of poli-

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<sup>1</sup> Paul A. Samuelson, *Economics*, McGraw-Hill Book Company, Tokyo, 1973, p. 3.

tical economy as a science of exchange, and with Adam Smith's view of it as a science of wealth. They also reflect the views of present-day economists who believe that economic science advises businessmen on how to organise production and labour, the marketing of products, financial and credit matters, etc.

Samuelson also gives his own definition of economic science: "Economics is the study of how man and society end up *choosing*, with or without the use of money, to employ *scarce* productive resources that could have alternative uses, to produce various commodities and distribute them for consumption, now or in the future, among various people and groups in society."<sup>1</sup> So, Samuelson excludes the most important element—production relations between people—from the subject-matter of political economy, and gives priority to the problem of "scarce productive resources", i. e. things and subjective assessments.

There is nothing new about Samuelson's approach, just as about the approach of other bourgeois economists in our day. He tries to divert economic science from the study of social relations, to make it harmless for the bourgeoisie by turning it into a universal science of economic

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<sup>1</sup> *Ibid.*, p. 5.

life and the ways of meeting vital human requirements.

Manuals by bourgeois economists are extremely contradictory. Some of them advocate a free market and free private enterprise, plotting all sorts of curves to describe the existing or expected economic outlook. These curves are pivoted on the economic agent, who prefers one kind of goods or services or another, and the intertwining of these preferences is used as a basis for analysis.

Other authors believe that the days of such an economic unit are long past, that the economy is dominated by the capitalist monopolies, and that the market can therefore be regulated with the help of the state. In accordance with that, they formulate theories which seek to tie in the movement of profit, interest and capital with employment. The idea is that by injecting more money into the economy it is possible to increase employment and to reduce unemployment or even eliminate it altogether. True, the authors of such theories cannot explain why in the late 1970s and early 1980s galloping inflation went hand in hand with rapid growth of unemployment.

However diverse the definitions of the subject of political economy given by bourgeois researchers, all of them have a number of common features which are due to the very nature of



bourgeois economics, whose purpose is to serve the capitalists and protect their interests. All of them aim to confine political economy to the sphere of superficial phenomena, and to prevent it from examining and discovering the actual economic processes unfolding in the contemporary capitalist society. They switch the emphasis of their research from the sphere of production to the sphere of distribution and exchange, separate these from each other, and concentrate on the technological aspect of the processes of material production and exchange, although that aspect is known to be the subject of technical and natural disciplines. Shunning the historical approach, bourgeois researchers regard the capitalist society as natural, eternal, and best suited to human nature.

### **From the Bourgeois Standpoint**

The views on the subject of political economy are determined by the class positions of the authors, for political economy studies a sphere of human relations which affects the fundamental economic interests of diverse classes and social groups, whose status differs from one society to another. In antagonistic societies, based on man's exploitation of man, some are exploited, others appropriate the results of their

labour, and still others occupy an intermediate, unstable position. Naturally, the various classes and social groups differ in their assessment of one social system or another, sometimes taking opposite views. The wage-worker, for instance, regards capitalist exploitation as brutal and unjust, and is interested in a transition to another and fairer social system without any exploitation, whereas the bourgeois is interested in the exploitation of wage-labour, for that enables him to receive immense profits and enjoy a life of luxury. Things are different for members of the petty bourgeoisie, like peasants and handicraftsmen, who have to struggle for their existence, are afraid of being ruined, and are heavily dependent on banks, landowners and big entrepreneurs. Peasants, handicraftsmen and other small-commodity producers have something in the nature of two souls: on the one hand, they are working people and, on the other, they are property owners and tradesmen. That is why they vacillate between the proletariat and the bourgeoisie.

In a class society divided into antagonistic classes there can be no integral political economy. It is bound to have a class character, to express the interests of a definite class. The ideologues of the bourgeoisie create a bourgeois political economy, voicing the interests of the bourgeoisie as the ruling class of the

capitalist society. The interests of the petty-bourgeois strata of the population (peasants, handicraftsmen, etc.), which occupy an intermediate position between the two main classes of the capitalist society—the proletariat and the bourgeoisie—are expressed by petty-bourgeois political economy. And the interests of the working class are expressed by Marxist-Leninist political economy. How scientific political economy is and how deeply it penetrates into the essence of economic phenomena depend on the class whose interests it expresses.

Bourgeois political economy reached its summit in the works of Adam Smith and David Ricardo in the late 18th and early 19th centuries, but towards the mid-19th century, with the rise of the proletariat and the aggravation of the contradictions between the proletariat and the bourgeoisie, it degenerated into vulgar, apologetic political economy. That sounded the death knell of bourgeois political economy. Bourgeois economists came out openly in defence of the capitalist system, vulgarising the earlier achievements of bourgeois political economy. That process accelerated after the publication of Marx's capital, which was viciously attacked by venal bourgeois hack-writers.

The main task of vulgar political economy, as represented by Thomas R. Malthus, Jean-Baptiste Say, James Mill, John Ramsay McCul-

loch, Eugen Böhm Bawerk, Nassau William Senior, Frédéric Bastiat, Alfred Marshall, John Maynard Keynes, Paul A. Samuelson, Walt W. Rostow, and others, is apologetics and glorification of capitalism rather than a quest for scientific truth. Their research is far from novel and is often a rehash of old theories long refuted by Marxism. Instead of examining inner connections, bourgeois economists prefer to describe superficial phenomena, presenting the appearance of phenomena as their essence.

Present-day bourgeois political economy is a champion of monopoly capitalism. Its representatives seek to persuade the working people that capitalism has already changed its essence and has evolved into people's capitalism, where social antagonisms have given way to class peace. The bourgeois state is portrayed as the architect of general affluence, as a force over and above classes which can eliminate the evils and contradictions of capitalism. Much is being done to vindicate militarism and imperialist wars.

While defending capitalism, bourgeois economists have launched an attack against socialism. In their opinion, socialism is a "historical aberration" resulting from violent attempts to twist the "natural" process of social development. Their main ideological and political weapons are anti-communism and anti-Sovietism, which

have become part of state policy. All of that shows the distinct class character of bourgeois political economy. Bourgeois economists, however, vehemently deny the class character of political economy, professing to engage in unbiased "scientific" research. Paul A. Samuelson writes, for instance: "There is not one theory of economics for Republicans and one for Democrats, one for workers and one for employers."<sup>1</sup> One is bound to agree with Samuelson that there cannot be different economic theories for Republicans and Democrats, because they represent the interests of big capital. But his assertion that workers and employers share a common economic theory is very far from the truth.

At the same time, attempts are also being made to "Marxianise" bourgeois political economy, to create, so to speak, a "two-tier" political economy, whose first tier is to be constituted by Marxism or, rather, only by its economic doctrine purged of its revolutionary political conclusions, and the second tier, by bourgeois economics. At the first stage of the general crisis of capitalism, there were only a few bourgeois economists who wanted to "Marxianise" bourgeois political economy, whereas in the 1970s, when the crisis phenomena inten-

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<sup>1</sup> Paul A. Samuelson, *op. cit.*, p. 7.

sified and the balance of forces continued to change in favour of socialism, the number of bourgeois economists advocating a "synthesis" of Marxism and bourgeois political economy in an attempt to resolve the crisis increased. Thus, the British economist A. Heines called for the development of a "new political economy" through a "revolution in science", which he saw as a synthesis of that which is best in the theories of Ricardo, Marx, Keynes and the neoclassics. All that shows the bankruptcy of bourgeois political economy.

Petty-bourgeois political economy emerged in the early 19th century. In the course of the rapid growth of large-scale capitalist machine production, petty producers were ruined and turned into proletarians—a target of capitalist exploitation. That was what engendered petty-bourgeois political economy, which expresses the ideology of small proprietors and producers driven to despair, their striving to return to small-scale production and prevent its ruin by any means.

The founder of petty-bourgeois political economy was the Swiss economist Jean Sismondi, among whose followers were Pierre-Joseph Proudhon in France, John Gray in England, and the Narodniks (Populists) in Russia. Criticising capitalism from petty-bourgeois positions, these economists exposed such evils of the cap-

italist society as the massive and agonising ruin of petty producers (peasants, small industrialists and tradesmen), economic anarchy, immiseration of the masses, etc. But since they did not understand the essence of the contradictions of capitalist production or see the ways of their revolutionary resolution, they idealised petty production, which is a backward form of production and obstructs the development of the productive forces. They did not understand that petty-commodity production is precisely the basis for the spontaneous development of capitalism. Their doctrine is utopian and reactionary. Present-day representatives of petty-bourgeois political economy criticise the sway of the monopolies, which ruin small producers, but their ideal is *laissez-faire* capitalism.

A point to note is that the 1960s and 1970s saw the emergence of so-called radical political economy, which is a peculiar response to the crisis of bourgeois political economy, monopoly domination, the wide student and youth movement, and the successes of world socialism. Radical political economy lies between Marxist and liberal bourgeois political economy. Its representatives describe themselves as "humanistic Marxists". They assert that they have moved away from the bourgeois stand, and criticise various aspects of monopoly capitalism. At the same time, they come out with "hu-

manistic criticism" against Marxism-Leninism, dissociate themselves from the revolutionary methods of the struggle against capitalism, deny the revolutionary mission of the working class, and advocate half-hearted reforms. The radicals are also ever more inclined to join the chorus of bourgeois ideologues criticising the theory and practice of socialist construction in the USSR and other socialist countries. Various leftist groupings and renegades posing as "neo-Marxists" are also close to radical political economy.

### **From the Positions of the Working Class**

Marxist-Leninist political economy is the only scientific, totally consistent and revolutionary political economy, which illuminates mankind's way to the heights of social progress. Its party approach is in harmony with its strictly scientific character. That is because Marxist-Leninist political economy relies on the dialectico-materialist method, which makes it possible to analyse production relations and economic laws in great depth. It is truly scientific also because it starts from the class positions of the working class, the most revolutionary and progressive class of the society, which has a vital stake in the cognition of the actual laws of the



society's economic development. The fundamental economic interests of the working class coincide with those of social progress, with the objective laws of the society's development to communism.

Lenin's works are an unsurpassed example of the class approach to the problems of Marxist political economy. As the founders of Marxism put it, their theory is not a dogma, but a guide to action, and that was exactly how Lenin saw it. He resolutely developed and upheld Marx's economic theory in a struggle against its opponents, against all those who tried to distort it and emasculate its revolutionary substance.

In his fundamental work, *The Development of Capitalism in Russia* (1899), and in various other works, Lenin gave an in-depth analysis of the balance of class forces on the eve of first Russian revolution in 1905, substantiated the need for an alliance between the working class and the peasantry under the guidance of the working class, and showed the general features and peculiarities of capitalist development in Russia.

At the turn of the 19th century, capitalism entered its highest and final stage, the stage of imperialism. Taking over from the founders of scientific communism, Lenin was the first Marxist to give a scientific analysis of imperialism in his book, *Imperialism, the Highest Stage of*

*Capitalism*, which is a direct continuation of Marx's *Capital*. Lenin examined the economic symptoms of imperialism, and determined its place in history as monopoly, parasitic and decaying capitalism, as the eve of a socialist revolution. On the strength of an analysis of the economic essence of imperialism, Lenin substantiated the law of capitalism's uneven economic and political development in the epoch of imperialism. From that law he drew the conclusion that socialism could first triumph in one individual capitalist country, and that a simultaneous victory of socialism in all countries was impossible. That conclusion was a cornerstone of the new theory of socialist revolution. Lenin brought out the essence and the main features of the general crisis of capitalism and showed the possibility of diverse forms of the transition to socialism.

In developing the theory of imperialism, Lenin exposed reformism and opportunism, showed their links with imperialism and their treacherous role in the working-class movement. He showed that while pretending to defend socialism and the interests of the workers, the reformists and opportunists actually advocated anti-Marxist ideas on the evolution of capitalism into socialism, rejected the class struggle and called for class partnership in the bourgeois society in

order to purge Marxism of its revolutionary spirit and deprive the proletariat of its ideological weapon in the struggle against the bourgeoisie and in building socialism. The bankruptcy of the leaders of the Second International is primarily due to their dogmatic approach to Marxism, their inability to understand and explain new phenomena in economic life.

In a number of his works written after the Great October Socialist Revolution, Lenin used the experience of the revolution and the early years of socialist construction to develop the basic principles of the political economy of socialism, and elaborated the propositions of Marx and Engels on the ways and methods of communist construction. He drew up a plan of socialist construction in the USSR, whose main provisions apply to every country going over from capitalism to socialism, and substantiated the questions of proletarian dictatorship, the alliance between the working class and the peasantry, and the material and technical basis of socialism. In his article "On Co-Operation", Lenin set out his well-known cooperative plan, which is of international importance and which outlines the ways and forms of drawing the peasantry into socialist construction. He also elaborated the Marxist propositions on the objective nature of economic laws, on their cognition and use in socialist construction, showed

the necessity of balanced national-economic development under socialism, substantiated the main principles of socialist planning, and pointed out the ways of putting it into practice.

Taking note of all that was new and progressive around him, Lenin saw the germs of the future communist attitude to work in the first communist subbotniks (free work for the nation), and brought out the basic, essential features of socialist labour organisation. He showed the immense advantages of the planned and balanced socialist society over outgoing capitalism, and substantiated the historical inevitability of a world-wide victory of socialism and communism. So, Lenin laid the foundations of the final section of political economy in the broad sense of the word: the political economy of the communist mode of production. The economic uniformities of the development of socialism and the transition to communism discovered by Lenin are being put into practice in the course of socialist and communist construction in socialist and socialism-oriented countries.

Present-day bourgeois economists try to ignore or distort Lenin's role in the development of Marx's economic doctrine, to contrast the two thinkers. They keep saying that Marxism is outdated, and that Leninism is only true for Russia.

But the political economy created by Marx

and Engels and further developed by Lenin is a scientific expression of the fundamental interests of the working class of the whole world, whose historic mission is to steer the whole of mankind to a radiant future and build a communist society without any coercion or exploitation, a society where peace and labour reign supreme.

People have always dreamt of such a society. In the mid-19th century, the titanic efforts of the great teachers of the working class translated these dreams into a coherent scientific theory, whose supreme purpose was not only to explain the world, but also to change it. In contrast to all earlier doctrines, Marxism did not remain a theory for long, but began its triumphal advance along the highroad of history. Its earliest triumph was the Great October Socialist Revolution in Russia, the greatest revolution in mankind's history, the turning-point of world development. Among the other triumphs of Marxism-Leninism is the building of developed socialism in the USSR and the successes in socialist construction in a number of European, Asian and American countries. Many nations that have freed themselves from imperialist domination have now taken the road of progress and socialism.

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Chapter  
Seven

BEFORE CAPITALISM CAME  
ON THE SCENE

In earlier chapters we examined the subject of Marxist-Leninist political economy and the main distinctive features of its method of research. Let us now consider how that subject is brought out and that method applied in the analysis of concrete modes of production. Naturally, our ascent from one stage of mankind's social history to the next will be fairly brief, especially since many of the problems considered here are dealt with in separate books of the present series.

## Survivals of the Past in Our Day

In accordance with logic and history, the study of the society's economic development should begin with pre-capitalist formations. At the same time, one could ask whether it is necessary to study the forms of social production which preceded capitalism and which have largely left the historical scene.

The only answer to that question is that these forms should be studied, if only because it is impossible to understand mankind's present or foresee its future without a good knowledge of the past. Bourgeois historians have falsified that past in every way. Seeking to prove the eternity and immutability of private property and the capitalist system, they deny that history started with a society without any private property, without oppressors or oppressed. The mere recognition of the existence of the primitive-communal system refutes their invention about the eternity of capitalism and the impossibility of setting up a communist society without private property, classes or exploitation, a society based on collective principles in the production and appropriation of material values. Consequently, such a society is not a historical anomaly or a violation of the "natural order of things". Of course, it would be quite wrong to compare, let alone equate, the primitive-communal and

the communist societies, for the collective production and appropriation of products in the primitive-communal society, as it will be shown below, resulted from the extremely poor development of the productive forces. In order to survive, men were obliged to carry on a daily struggle against nature for their own existence. In contrast to that, the communist society will be based on highly developed productive forces which will make it possible to ensure the total wellbeing and the free and allround development of all the members of the society. Some bourgeois researchers accuse the Marxists of idealising the primitive-communal system and urging people to scorn the blessings of the civilisation and go back to the caves. They forget that it is precisely the Marxists, as the ideologues of scientific communism, who take a resolute stand against any attempts to portray that period in mankind's development as a "golden age", when people are alleged to have enjoyed the fruits of nature without doing any work.

There is also an ideological struggle over the assessment of the slaveholding system, its place in human history. Bourgeois economists and historians deplore the cruelty and immorality of slavery, ignoring the fact that the slaveholding system was a law-governed stage in the society's progressive development. At the same



time, they shut their eyes to the vestiges and survivals of slavery which still exist in the "civilised and democratic" capitalist society. Suffice it to recall such ill practices as peonage and debt bondage in South America, subservient labour at the mines and plantations of South Africa, the sale of children and young girls in repayment of debts in some Asian countries, and so on.

Quite a few elements and survivals of feudal relations still exist in many countries, primarily in the former colonial and dependent countries of Asia, Africa and Latin America, and also to some extent in such European countries as Italy, Spain, Portugal and Greece. In the newly free countries which have been drawn into the orbit of the world capitalist economy, bourgeois relations coexist with feudal, slaveholding, tribal and other relations. The imperialist states, which follow a neocolonialist policy, have been trying to preserve these relations in order to intensify exploitation, extract maximum profits, locate their military bases in these countries, etc. With that aim in view they have been using all the means at their disposal: from financial aid to reactionary regimes to "gunboat diplomacy" and direct military intervention.

It is also important to study the economic relations of precapitalist formations because with the development of the world socialist system,

with the growth of its strength and prestige, the peoples that escape from colonial dependence and take the road of independent development get an opportunity to choose the socialist orientation and follow the noncapitalist way with a view to an eventual transition to socialism.

In 1983, the newly free countries and the remaining colonies and semi-colonies had more than 62 per cent of the Earth's territory and a population of roughly 2.4 billion. In many of these countries, the economy is a patchwork, a conglomeration of diverse types of economic relations, ranging from primitive-communal to monopoly-capitalist.

## The Infancy of the Human Race

The human society originated over two million years ago. Its initial form was the *primitive-communal system*, the longest period in mankind's history. Let us note by way of comparison that the slaveholding system lasted roughly 4,000 years; feudalism from 1,000 years in Russia to 2,000 years in China; and the history of capitalism goes back a little over 250 years.

The emergence of the human society was a law-governed process of natural history rather than the work of a divine creator. In its protracted development, the primitive-commun-

al system passed through several stages: the primitive human herd, or pretribal society; the tribal (gentile) system, or tribal commune (gens), which is subdivided into two periods: matriarchy (matrilineal gentile system, or mother-right gens) and patriarchy (patrilineal gentile system, or father-right gens); and the neighbourhood (territorial) commune.

It took millions of years for man to rise from the animal world. The decisive role in the evolution of the anthropoid ape into a human being, in the emergence and formation of the human society was played by labour. Joint labour, tool-making and articulate speech helped to develop man himself, particularly his brain. The herd of anthropoid apes gradually turned into a *primitive human herd*, which began to make various products by using tools to act upon nature.

Use of fire played an immense role in the life of primitive man, enabling him to gain command over that powerful force of nature and to rise above the animal kingdom once and for all.

In the course of time, men went over from sticks and stones to the making of more sophisticated, metal tools. At first they used copper and then bronze and iron. In accordance with that, the history of the primitive society, which spans thousands of years, is divided into the

Stone and Copper Age, the Bronze Age and the Iron Age. Primitive man's labour productivity in tool-making was extremely low. According to Miklukho-Maklai, the famous Russian traveller and ethnographer who studied the life of the New Guinea Papuans in the second half of the 19th century, when a grandfather started making a stone tool, it was completed by his grandson.

The invention of the bow and arrow was another important stage in the development of the productive forces of the primitive society. As a result, hunting became a more reliable source of means of subsistence. Gradually people began to tame the young of the animals they had killed, and eventually to trap animals for the purpose of domestication. That led to the emergence of cattle-breeding and to greater output of meat, milk, wool and other products.

The gradual refinement of tools made it possible to go over from plant gathering to the cultivation of rice, corn, rye and other crops. The switch from primitive hoes to plough drawn by domesticated cattle did a great deal for the development of cropping.

The primitive society was marked by joint use of tools. And that is only natural, for at that extremely low development level of the productive forces collective labour was the only way to obtain vital means of subsistence. The joint labour activity of primitive men was based

on simple cooperation: joint involvement in one and the same production process of a more or less sizeable group of people (joint hunting, primitive cropping, etc.)

Collective labour also predetermined collective social property: all the means of production and finished products belonged to the whole collective. Knives, axes, bows and arrows, boats, dwellings, etc., just as the land itself, were in the social property of the collective.

Labour productivity in the primitive society was extremely low, and barely enough products were produced to meet the most vital needs. That is why egalitarian distribution was the only possible form of the distribution of products. If the principle of the "common stock" had not been observed and some people received more than others, many would have been doomed to die of starvation. The equal-sharing habit was so deeply ingrained that travellers and ethnographers observed it among Asian, African and American tribes in fairly recent times. According to the English naturalist Charles Darwin, who went on a voyage round the world in the mid-19th century, a piece of cloth presented to one of the Tierra del Fuego tribes was torn up by its members into equal parts so that each could get his share.

So long as social property, joint labour and egalitarian distribution of products prevailed in

the primitive society, there was no division of the society into classes or exploitation of man by man.

In defiance of self-evident facts, many bourgeois historians and economists assert that the history of the human society began with the activity of "single individuals", of separate hunters, fishermen and crop-growers who made tools on their own and held them as private property. Thus, some of them believe that there were two categories of people at the dawn of human history: those who were lazy and those who were hard-working and thrifty, and who eventually formed the wealthy classes of the society. Such notions about the "primordial" character of private property are at odds with historical, archaeological and ethnographic data, and were refuted by Engels on the strength of an analysis of a vast array of factual material in *The Origin of the Family, Private Property and the State*.

As it was already noted, initially humans rising from the animal kingdom lived in primitive herds. Later on, the *gens* (or *gentile commune*) became the main cell of the primitive society, ensuring more rational economic activity and continuity of labour skills and experience. Travellers and ethnographers studying tribal life in Africa, America, Australia and Polynesia regard the *gens* as a group of people related by

blood. Several gentes constituted a tribe, whose life was based on common labour and collective property in the means of production. All the collectively produced products were distributed on an equal basis among the members of the commune and were jointly consumed in their natural form within the commune. The well-known Americal historian and ethnographer Lewis Henry Morgan, who described the kinship system of the Iroquois Indians, which still existed in the mid-19th century, wrote that the members of a gens lived together in large dwellings which housed several dozen families. The communal stocks of food were also kept in these dwellings.

The productive forces were at such a low level that a single individual was powerless in the struggle against nature and could not cope with the difficulties of existence. He could exist solely within the framework of a commune based on social property. That is why *the basic economic law of the primitive society was to ensure the existence of the commune and each of its members through joint labour and egalitarian distribution.*

At the first stage of the tribal commune, women played the leading role in its life. That period was known as *matriarchy* (matrilineal kinship or mother-right gens). Its vestiges are still to be found among some peoples in our day. Later on, when males began to engage in cattle-breeding (pastoralism) and plough agri-

culture, which now yielded a considerable quantity of products, matriarchy gave way to *patriarchy* (patrilineal kinship or father-right gens). Leadership in such a commune belonged to the male, and kinship was now reckoned through the father. The transition to patriarchy entailed a transition to the neighbourhood (territorial) commune and to the erosion of the primitive system.

The erosion of the primitive society was a protracted process and lasted thousands of years. It was based on the development of the productive forces and social division of labour. At first, division of labour was natural, by sex and by age, and did not go beyond the framework of the commune, the gens and the tribe. With the development of the productive forces, separate communes began to specialise in the production of various products, and *social division of labour* began to take shape. The tribes which occupied rich pastures gradually abandoned crop-growing and hunting and went over to cattle-breeding, which yielded more meat, milk, wool and hides. So, cattle-breeding branched off from crop-growing into an independent line of activity, and that was the first major social division of labour.

That provided a more solid basis for exchange between tribes which produced grain and pastoral tribes, so that accidental and sporadic



exchange gradually became more regular. The product of labour was no longer meant solely for personal consumption, but was also produced in order to be exchanged for other products, i.e., it became a commodity.

With the development of more sophisticated implements and ever greater division of labour between pastoral and agricultural tribes, labour tended to become more productive. That made it possible to do without collective communal labour in the performance of some labour operations, that is, to engage in individual economic activity. The gentes began to fall apart into large patriarchal families, which were further fragmented into individual family units. The gentile commune was gradually turning into neighbourhood (territorial) commune. In contrast to the former, the neighbourhood commune consisted not only of kindred, but also of unrelated families, which ran their own households and farmed the plots of land allotted to them. The house and the adjacent yard became the family's private possession, while the fields, meadows, forests and other land remained the property of the commune. Stubbing, irrigation and other similar work was done in common.

Since arable lands were now cultivated by individual families, the resultant products no longer went into the "common stock" or were

distributed among the members of the commune but became the property of individual families. Later on, land was also taken over into the property of individual families, which became the basic economic units of the society. Such were the origins of *private property*. Its emergence led to material inequality between people, to the society's division into the rich and the poor, and also into slaveowners and slaves. So, the primitive-communal system gave way to the class society based on man's exploitation of man. From that time onward and right up to the building of socialism, the whole history of the society was a history of class struggle.

Vestiges and survivals of primitive-communal relations still exist in our day among some peoples of Asia, Africa, Latin America, Alaska, Canada, Greenland, Australia, Oceania and other parts of the world. These include vestiges of the neighbourhood commune and even tribal relations, notably, matriarchal and patriarchal elements, the subsistence economy, the traditional sway of tribal chiefs, and relations of tribalism, that is, tribal isolation with vestiges of kinship divisions.

The imperialist states artificially seek to preserve these vestiges of tribal relations in order to sow intertribal strife, exploit the peoples and prevent their consolidation with the help of the

tribal elite. Now that the colonial system of imperialism has collapsed and the newly free countries have entered upon the road of independent development and progress, one of their vital tasks is to eliminate the vestiges of primitive-communal relations.

## Slavery

The slaveholding system, which superseded the primitive-communal system, is the first-ever mode of production based on man's exploitation of man.

The economic basis for slavery was provided by the emergence of a *surplus-product*. The point is that with the growth of labour productivity in cropping, livestock breeding, fishing, hunting and other lines of activity, man was able to produce more products than were necessary for his own subsistence. Consequently, a surplus now remained over and above the necessary product. In these conditions, captives were no longer killed as in the past, but were made to work as slaves.

Virtually all the peoples of the world have had variously developed slavery. For the first time it emerged in the form of *patriarchal slavery*. Alongside free kinsmen, the patriarchal gens in the period of its disintegration and

the emergence of neighbourhood communes also included a number of slaves. Patriarchal slavery was undeveloped and limited because, first, slaves were not the main labour force in the communal economy; second, slaves were usually captives, rather than kinsmen; and third, the slave trade was still a thing of the future. But even in these conditions slave labour helped to enrich the slaveowners and led to ever greater material inequality. The rich tribal elite eventually began turning into slaves, alongside prisoners of war, its own impoverished fellow-tribesmen who were taken into debt servitude.

With the development of classes and material inequality, special bodies were set up by the slaveowners to hold the slaves in submission and multiply their wealth. Such are the origins of the *state* as an instrument for the coercion of the exploited masses by the ruling class.

Slavery had its own peculiarities in such oriental countries as India, China, Egypt, Babylonia, Syria, Persia, etc. In these slaveholding societies, especially at the early stages of development, the slaveowners' property in land and the means of production, and also in the slaves themselves was mostly collective, rather than private, taking the form of communal, temple and state property. Alongside the slaves, the state (as represented by a despotic ruler) also

exploited the free rural population, the members of neighbouring communes, who were burdened with heavy taxes and duties, and whose status differed little from that of the slaves. On the whole, slave labour in these countries did not play the leading role in economic life, and the number of slaves was not very large.

In some ancient countries, as in Greece or Rome, patriarchal slavery evolved into *classical slavery*, under which slave labour became the basis of production, the basis of the society's very existence. The rise of the slaveholding system in these countries was determined by the development of the productive forces and the deepening social division of labour. It involved an expansion of private property in slaves, land, etc., ever greater material inequality, and development of commodity-money relations against the predominant background of natural production.

The main branches of production in the slaveholding society were cropping, livestock breeding and the handicrafts, like pottery, smithery, and flour-grinding, in which fairly complicated tools were already used (loom, potter's wheel, bellows, handmill, etc.). The development of the handicrafts led to the second major social division of labour: the separation of the handicrafts from agriculture. Even in the epoch of patriarchal slavery, Greece had its carpenters,

stone-masons, harness-makers, potters and workers in metals.

In the course of technical development and the cooperation of slave labour, large enterprises with thousands of slaves were set up in slaveholding societies, as the latifundium in the agriculture of ancient Rome or the ergasterion in the handicraft production of ancient Greece. At these enterprises, thousands of slave labourers produced a surplus-product for the slaveowners. Majestic monuments of slave labour still stand in our day: Indian and Greek temples, Roman theatres, canals and roads, the Great Chinese Wall, and pyramids in Egypt, Mexico, Guatemala, Honduras and Peru.

Many branches of science—mathematics, mechanics, astronomy, philosophy, architecture, etc.—were developed in the slaveholding states, and world culture was enriched with works of literature, sculpture and other arts. A point to note is that the European civilisation was not the most ancient on the Earth, for Egypt, India, China, and Mesopotamia had already reached the stage of recorded history when the ancestors of the present-day European peoples still lived under the primitive-communal system.

The slaveholding relations of production were marked by a specific mode of the conjugation of labour-power with the means of production: the slave labourer was not only deprived of

the means of production, but himself belonged to the slaveowner, who forced him to work and appropriated the whole of the resultant product, meting out an insignificant part of it for the slave himself just in order to keep him alive.

The slave was seen as a thing, rather than a person. He could be bought, sold or killed like cattle. All implements in ancient Rome were characteristically divided into "talking" (slaves), "lowing" (draught animals) and "mute" (working tools). Aristotle aptly expressed the slave's status in the society. He wrote: "A slave is an animate tool, and a tool is an inanimate slave". Many slaves constantly wore an iron collar with the name of the owner. Slaves were also branded so as to be easier to catch in case of escape.

Naturally, in the conditions of such direct, physical coercion the slave had absolutely no incentive to work or to increase labour productivity. Since he kept destroying his tools, they remained crude and primitive. Slavery was the first, most open and brutal form of exploitation in mankind's history. To increase the amount of surplus-produce, the slaveowners sought to increase the number of slave labourers. Wars of conquest were the main source of slaves. Thus, in the 2nd century BC, some wars provided the Roman slaveowners with up

to 150,000-200,000 slaves. Later on, many impoverished members of the commune who had run into debt were also turned into slaves.

The slaveholding society was characterised by subsistence production, where most of the products went to meet domestic requirements. A significant part of the surplus-product was used unproductively, going into the personal parasitic consumption of the slaveowner and his surroundings (into the building and maintenance of magnificent palaces and temples, into splendid feasts and festivities, religious ceremonies, games and pageants, etc.). So, *the main goal of the slaveholding production system was to satisfy the parasitic demands of the slaveowners to an ever greater extent. That goal was attained by means of rapacious exploitation of the slaves through direct physical compulsion. That was the essence of the basic economic law of the slaveholding society.*

As the social division of labour deepened and as production in agriculture and the handicrafts increased, commodity-money relations developed accordingly. The owners of big latifundia, ergasteria and other enterprises, who appropriated the surplus-produce created by slave labour, put a part of that produce on the market. Slaves themselves were also bought and sold on an ever wider scale. Petty pro-



ducers—peasants and handicraftsmen—also sold a part of their output. Various workshops, smitheries, bakeries and other handicraft works in Greece, Rome, India and China specialised in producing goods for the market. Commodity exchange gradually developed into regular trade, with active buying and selling in the market place. As trade expanded and began to cross state borders, it gradually developed into large-scale international trade, which involved such slaveholding states as Egypt, Babylonia, China, Greece, Rome and others.

The development of commodity-money relations and trade led to the emergence of the first historical forms of capital: *merchant's and usurer's capital*. The rise of a class of merchants was the third major social division of labour. The merchants acted as middlemen in the exchange of commodities. In buying and selling commodities, they used the difference in prices and outright cheating to appropriate in the form of merchant's profit a part of the slaveowners' surplus-product and a part of the product turned out by the peasants and handicraftsmen.

Usurers lent their money at high interest rates to slaveowners, and also to petty-commodity producers—peasants and handicraftsmen. In the form of interest, the usurers appropriated a part of the product turned out by the

peasants and handicraftsmen and part of the surplus-product created by the slaves.

Merchant's and usurer's capital helped to develop commodity production, undermined the essentially natural economy of the slaveholding society, fanned the avarice of the slave-owners, and helped to intensify the exploitation of slaves. The development of slaveholding production and exchange increased the material inequality, bringing wealth to some and debt bondage and ruin to others. The slave trade became one of the most profitable trades. Slave traders and buyers assembled to major slavetrading centres not only from various parts of the country, but from other countries as well.

Bourgeois economists and historians seek to distort and revise the history of the ancient slaveholding society. They look for elements of capitalism in ancient Greece and Rome in order to prove the eternal nature of capitalist relations.

Slavery was a necessary stage in the development of the society and marked a considerable stride forward as compared with the primitive-communal system. It meant progress in tool-making, specialisation of production, and deeper social division of labour. It also meant cooperation on a large scale and higher labour productivity. That was when the first

towns emerged as the centres of trade and the handicrafts, and also of science, literature and the arts as a special type of human activity. But that ancient civilisation was based on the back-breaking subservient labour of many generations of huge masses of slaves.

The slaveholding system contained irreconcilable internal contradictions, which led to its decline and fall. The main contradiction was that between the economic interests of the slaves and those of the slaveowners. The slaves' subservient labour without any material or moral incentives to technical development or higher labour productivity eventually led to the stagnation and erosion of the slaveholding system. Slave labour was used in a most rapacious and unproductive way, and manual labour itself was considered to be beneath the dignity of a free citizen. Arduous manual work was the lot of slaves, whereas the affairs of state, politics, philosophy, art and literature were a privilege of the slaveowners, who subjected the slaves to ruthless exploitation. Such was the origin of the antithesis between mental and manual work, which had a distinct class character.

The antagonistic contradictions of slavery also manifested themselves in the antithesis between town and country. The towns were centres of the handicrafts, trade, usury and

culture, while the village with its backward forms of agricultural production retained many features of the primitive system. The towns exploited the countryside in various forms: through the purchase of farm produce at low prices and the sale of urban goods at high prices, through taxes and all kinds of duties. Free peasants were also recruited for military service to fight wars of conquest. All that led to an impoverishment of the countryside, to a depletion of its labour-power and a decline of agriculture, and undermined the foundations of the slaveholding system.

The slaveholding society was also marked by a contradiction between large-scale slave production and small-scale production by free peasants and handicraftsmen. The output produced by slave labour was sold at lower prices, for slaves were cheap to maintain and cooperation of their labour made it possible to use the means of production more efficiently. Small peasant and handicraft households could not compete against the big enterprises and many of them were ruined. The process was accelerated by tax increases, debt bondage, direct seizure of peasants' possessions by the slaveowners and the hardships of war.

The ruin of small producers led to the emergence in the slaveholding states, especially in Rome, of a huge mass of dispossessed and

uprooted people, who had been deprived of the means of production and had lost contact with production altogether. Since they were personally free, they despised all productive labour and thronged the streets of the towns, demanding bread and circuses. The slaveholding state was obliged to maintain them at the expense of the surplus-labour of the slaves. In ancient Rome, such people were called lumpenproletarians. In contrast to the modern proletariat in the capitalist countries, at the expense of whose labour the society now exists, the Roman lumpenproletariat lived at the expense of the society.

The ruin of free peasants and handicraftsmen undermined the economic, political and military might of Rome and other slaveholding states, for the small producers had constituted the backbone of their military strength. Wars of conquest ever more frequently turned into defensive wars, military victories gave way to defeats, and the source of cheap slaves began to run out.

As the steady influx of cheap slaves to the big slave enterprises shrank to a trickle and the price of slaves went up, these enterprises lost their advantages over small-scale production, and the surplus-product produced by slave labour was reduced. The erosion of agriculture was followed by a decline in the handi-

crafts, and trade came to a standstill. The urban population shrank, the towns fell into decay and lost their economic and political importance. The disintegration of the slaveholding system involved massive destruction of the productive forces.

Since large-scale slave production was in the grip of a crisis and yielded less and less income, it became profitable to divide big tracts of land into small plots, or parcels, which were leased on definite terms to free citizens or slaves. The new agricultural labourers were bound to the plots of land and could be sold together with them. They made up a new stratum of commodity producers who occupied an intermediate position between the slaves and the free citizens. They were known as coloni, and were the predecessors of the serfs of the Middle Ages. Small-scale peasant production became the only economical, self-recouping form of economic activity.

The decline of the slaveholding system and the deepening of its contradictions led to an intensification of the class struggle. Slave uprisings merged with the struggle of the dispossessed peasants and handicraftsmen against the oppressors. History has known many slave uprisings. Among the best known were those on the island of Sicily led by Eunous and Kleon, in Asia Minor led by Aristonicus, the "Red

Eyebrows" rebellion of slaves and poor peasants in China, the revolt led by Saumacus in the Kingdom of the Bosphorus, and the Spartacus uprising in Italy. Slave uprisings, which rocked the foundations of the slaveholding states, coincided with armed invasions by neighbouring tribes and peoples. The history of the Roman empire is characteristic in that respect. Undermined from within by the uprisings of the exploited masses, it finally collapsed in 476 AD under the blows of German, Gallic, Slav and other barbaric tribes. The downfall of slavery entailed the disappearance of the main antagonistic classes, the slaves and the slaveowners, but that did not mean an end to the exploitation of man by man. Slavery was superseded by feudalism, under which the exploitation assumed new and more flexible forms, ensuring greater opportunities for the development of the productive forces.

Although the slaveholding system disappeared a long time ago, vestiges and survivals of slaveholding relations remain until this very day. After the colonisation of America in the late 16th century, millions of Africans were forcibly imported to America and made to work as slaves on cotton plantations and in mines. The hunt for Africans and the slave trade turned into a lucrative business. From 1680 to 1786, British merchants alone shipped more

than 2 million slaves to the British colonies. The slave trade and wide use of slave labour on plantations continued in the colonies of England, Spain, Portugal, France and Holland up to the second half of the 19th century.

In the USA, slavery was juridically abolished as a result of the Civil War (1861–1864), which ended in a victory of the industrial North over the slaveholding South. But even after that, the Blacks in the USA, especially in the south of the country, remained the most rightless and oppressed section of the population.

Vestiges of plantation and patriarchal slavery are still extant in some countries of Asia, Africa and Latin America. These include peonage, or a system of near-slave involuntary servitude under which peasants and farm labourers are dependent on big landowners. Debt slavery, which is known by different names in Latin America, Africa, the Middle East and Southeast Asia, is one of the most widespread forms of slave exploitation and is being widely used by foreign monopolies. It usually starts when a landed proprietor lends some food products to a labourer and provides him with a plot of land and a dwelling of sorts. As a result, many families end up in debt bondage, for the debts of the head of the family are inherited by his children.



Discriminatory and racist practices close to slavery exist in South Africa with regard to the native African population and people of Indian extraction. The racism and apartheid practiced in South Africa and other capitalist countries are survivals of the slaveholding system. Thus, the ideologues of slaveholding Greece believed that Greeks alone had the right to live in city-states, for nature itself had made them masters over the other peoples, and slaves had no right to live alongside free Greeks.

The present-day capitalist society has inherited from slavery an antithesis between mental and manual work, and between town and country. That antithesis has not only been preserved, but has been further exacerbated in new forms. The contempt for physical work being cultivated by the exploiters can be traced back to slavery.

A resolute struggle against the vestiges of slaveholding relations and exploitation, against colonialism and apartheid will make it possible to put an end to slavery once and for all. Such a struggle is an integral part of the overall struggle for democracy and progress being carried on by the newly independent peoples.

## The Feudal Lord and the Serf

Feudalism, which superseded slavery and was eventually replaced by capitalism, was the next law-governed stage in the society's development. The forms of the transition to feudalism differed from one country to another.

In many countries, as in ancient Rome, feudalism emerged as a result of the disintegration of the slaveholding system. That form of feudalisation was also to some extent characteristic of oriental feudalism (China, India, Babylonia, etc.). At the same time, feudalisation in these countries was slower and had its peculiarities in view of the special importance of irrigation systems, the prevalence of state property in the form of the property of despotic rulers, and the greater stability of the commune.

Other peoples came to feudalism in a different way. Some went over to it straight from the primitive-communal system, bypassing the developed slaveholding system. That way was characteristic of ancient Rus and other countries of Eastern and Northern Europe.

Although feudalism arose in different ways, the results of that process were roughly the same. It engendered a new class of landed proprietors known as *feudal lords*, who received land from kings or tsars in return for service under arms and other services. At the same

time, the once-free peasants, coloni and members of the commune fell into personal dependence on the feudal lords, making up a class of dependent and exploited *serfs*.

The feudal society had a pronounced hierarchic structure, and was marked by political and economic fragmentation. There was whole hierarchy of feudal lords each subordinate to the one above. The word feudalism itself derives from the word "feud", which in Western Europe meant the landed property transferred by the higher-ranking feudal lord (seignior) first into the lifelong and then into the heritable ownership of a lower-ranking feudal lord (vassal) on condition that the latter performed definite services. Kings, tsars and other rulers were the highest-ranking seigniors, who handed out landed property to their vassals: guards, servants, church hierarchs and monasteries. So, the exploitative system which arose on the basis of landed property in the form of the feud came to be known as feudalism.

Bourgeois economists and historians tend to obscure the socio-economic essence of feudalism as a social system, presenting its hierarchical structure and other visible aspects as its main characteristic features. In actual fact, the main thing about feudal relations of production was that land, the basic means of production, belonged to the feudal lord and not to

the peasants who worked on it. The peasants received land from the feudal lord not to own, but only to use. They were bound to the land and had to perform various feudal services. Allotment of land to the peasants was a means of providing labour-power for the feudal lords, whose monopoly private property in land led to the peasants' economic dependence on the lords.

The feudal form of property differed from the slaveholding form. Under feudalism, the producers were no longer deprived of all the means of production, for the peasants owned a dwelling house, outbuildings, implements, draught animals and productive livestock, seed, fodder, and other means of production. By working their own plot of land, they produced the necessary product for themselves and their family. So, the reproduction of his labour power was the peasant's own concern. In these conditions, the feudal lord had to have direct power over the peasants so as to force them to work for himself. Feudalism was marked by extra-economic, direct physical compulsion of the peasants to perform their labour and other services.

The essence of feudal exploitation was that the feudal lord (the landowner) appropriated the surplus-product created by the surplus-labour of the dependent peasant. That surplus-

product assumed the form of feudal ground-rent. *The basic economic law of feudalism is production of a surplus-product through the compulsion to work and the extra-economic exploitation of indentured peasants, and its appropriation by the feudal lord in the form of feudal ground-rent.*

The forms of feudal rent evolved with the development of feudalism. There are three forms of *feudal rent*: 1) labour rent, 2) rent in kind, and 3) money rent.

Under *labour rent* (*corvée*), the peasant worked on the estate of the feudal lord during part of the week (three days or more), using his own implements and cattle, and during the remaining days, on his own plot. The necessary product was produced by the peasant on his own plot, and the surplus-product, on the estate of the feudal lord. In working for the lord, the indentured peasant was not interested in the results of his work, whereas in cultivating his own plot he was interested in raising labour productivity, for it was the source of his means of subsistence.

*Rent in kind* (quit-rent) differed from labour rent in that the surplus-product was not produced on the estate of the feudal lord but, like the necessary product, on the peasant's individual plot. So, having performed his feudal services, the peasant could work for himself. That gave him a stake in improving his econom-

ic activity and the results of his labour.

With the development of commodity production and exchange, rent in kind gave way to *money rent*, under which the peasant turned over the surplus-product to the feudal lord in cash, instead of in kind. So, apart from producing the product, the peasant now had to sell it, to convert it into money. Peasant production developed closer links with the market, losing its natural character. The development of commodity relations accelerated the differentiation (stratification) of the peasantry. With the transition to production for the market, some peasants grew richer, while the bulk of them were impoverished and ruined. The feudal lords, who sought to intensify the exploitation of the peasants, were also increasingly drawn into market relations. Money rent was the last form of feudal rent, and the transition to it showed that feudalism was on the decline and that its contradictions had taken a graver turn.

The early period of feudalism saw a revival of the towns, which had fallen into decay during the disintegration of slavery. They usually emerged round the residence of the lay or clerical feudal lord. Eventually the towns became centres of trade and the handicrafts. The craftsmen and merchants united into guilds (the first craft guilds were set up in Italy in the 10th century). Craft guilds laid down detailed rules

prescribing production techniques, the quantity and quality of goods, and controlled the purchase of raw materials and the marketing of finished products. The master craftsmen had his own journeymen and apprentices. At first, the relations between the master, who took part in the work himself, and his subordinates were patriarchal. Later on, as the number of journeymen and apprentices increased, the master tended to stop working, while his subordinates turned into wage-workers.

The leading role in the development of the productive forces increasingly shifted from country to town. The country had political domination over the town in the form of feudal lordship, while the town exploited the country in economic terms through high prices, taxation, the guild system, merchant cheating and usury.

In the developed feudal society, the urban population was highly stratified in property and social terms. It was polarised into rich merchants, usurers and leading guild masters, on the one hand, and the urban poor, apprentices and journeymen, on the other. The lower urban strata, which constituted a majority of the population in the towns, carried on a struggle against the urban elite and the feudal lords. Their struggle merged with the peasant war against the hated feudal order.

The productive forces under feudalism developed in some degree. In agriculture, which played the crucial role in the economy, there was an advance from the two-field system of crop rotation to the three-field system, with the use of the iron ploughshare, the harrow and other metal implements, and draught cattle. Windmills and watermills were among the technical achievements of feudalism. The techniques used in the smelting and working up of metals were perfected, and looms were used on a wider scale. New inventions included paper, book printing, the watch and the compass, which helped to develop shipping. But the further development of production and exchange was obstructed by the feudal relations in the countryside (the peasants' personal dependence), guild regulations in the towns, the feudal fragmentation of the state, and the incessant wars and feuds among the lords.

Trade played an important role in aggravating the contradictions of feudalism and in its disintegration. The trader subjugated the small commodity producer (handicraftsman or peasant), supplying him with means of production and marketing his products. Although the small commodity producers nominally retained their independence, in actual fact they turned into wage-workers. Some of the richer master craftsmen turned into capitalists, while their journey-



men and apprentices worked for hire at their enterprises, sinking into poverty and turning into proletarians.

Capitalist enterprises in the form of the *cottage industry, cooperation and manufacture* emerged in Europe during the disintegration of feudalism in the late 15th and early 16th centuries. All these facts invalidate the assertions of bourgeois economists, who seek to present feudalism as a kind of "embryonic capitalism" and to purge it of its own socio-economic content.

International trade between European and Oriental countries developed on a large scale with the active involvement of Arabian and Byzantine merchants, and the trade between the European countries themselves expanded as well. The discovery of America and a new sea route to India in the 15th century, and the establishment of the East Indian, Eastern, Guinean, and other trading companies did a great deal for the development of trade and the formation of the world market.

*Usury* reached a vast scale in the feudal society, especially with the development of trade. The usurers lent money to feudal lords and monasteries at an exorbitant interest rate (100–200 per cent), so appropriating a sizeable part of the surplus-product created by the subservient labour of the peasants. Peasants and handicraftsmen also borrowed money on fetter-

ing terms, which usually led to their ruin and turned them into proletarians.

So, capitalist relations in town and country matured within the entrails of the feudal society, and the struggle of the oppressed masses, primarily the peasant struggle against the feudal lords, intensified. Peasant wars eroded and undermined the feudal system, heralding the advent of bourgeois revolutions.

The wide use of violence and coercion on the part of the bourgeoisie, the bourgeoisified gentry and the state authorities accelerated the rise and development of capitalism. Thus, the immediate producers, the peasants above all, were forcibly detached from the means of production, and wealth, money and land were concentrated in the hands of a few. Such was the process of the *primitive accumulation of capital*. It started in England in the final third of the 15th century and lasted up to the end of the 18th century. The starting-point was the development of cloth manufactures, which increased the demand for wool and led to a corresponding rise in wool prices. As it became profitable to breed sheep, the landowners resorted to forcible "enclosures" of peasant lands, driving the peasants off their plots and turning these into sheep-walks. That engendered a special class of people emancipated from feudal servitude but robbed of all their means of production. Those were proletarians. In

order to exist, they were obliged to sell their labour-power to the nascent bourgeoisie, to work at its enterprises.

Large sums of money were necessary to organise capitalist enterprises, and the accumulations of merchants, usurers and rich handicraftsmen played an important role in that respect. The nascent bourgeoisie made its fortunes by way of non-equivalent trade, by plundering and exterminating the native population of America, Africa, Asia and Australia, through piracy and the slave trade. Over a short period, from 12 to 15 million natives were exterminated in America alone. Violence played an immense role in the rise of capitalism, even though it did not in itself create any new production relations.

The state policy of *protectionism* promoted the development of capitalist enterprises. It meant that high tariff barriers were raised against the import of foreign goods, protecting the national capitalists against foreign competition and advancing the development of national industry.

The transition from feudalism to capitalism occurred as a result of bourgeois revolutions. The first bourgeois revolutions took place in the Netherlands (16th century), in England (17th century) and in France (18th century). The struggle of the peasants and handicraftsmen against the feudal lords was used by the bourgeoisie to seize state power and open the way

for capitalist development.

Once it rose to power, the bourgeoisie intensified the exploitation of the workers, but, confronted with their persistent resistance, had to make a deal with the feudal lords, who still retained much of the land and other wealth. The landowners continued to exploit the peasants, but in new, bourgeois forms, with vestiges of some old, feudal forms of exploitation like labour services or share-cropping. Vestiges and survivals of feudalism, of pre-capitalist forms of rent are still extant in some capitalist countries of Europe, as in Italy, Portugal, Spain and Greece.

Feudal survivals are most tenacious in the industrially backward countries of Africa, Asia and Latin America, where the neocolonialists seek to perpetuate these in every way, for that helps them to grow rich and hinders the development of the newly free countries along the road of progress. The feudal forms of the exploitation of the masses in these countries dovetail with imperialist monopoly oppression and with exploitation by national capitalists. That is why the struggle against feudal survivals being carried on by the peoples of the economically lagging countries merges with the struggle against imperialism, for an end to exploitation in all its forms.

Chapter  
Eight

WHERE CAPITAL  
REIGNS SUPREME

Capitalism as a social system now occupies the larger part of the world. In its relatively short (as compared with the preceding modes of production) history, capitalism has engendered and developed powerful productive forces. At the same time, it is torn by irreconcilable contradictions: economic crises of overproduction, unemployment and inflation, die-hard militarism, racism, colonialism and other evils.

At the turn of the 19th century, capitalism passed into its final phase, the phase of imperialism, that is, monopoly, parasitic and decaying capitalism, clearly re-

vealing its historically transient nature. The victory of the Great October Socialist Revolution in Russia in 1917 made the first breach in the chain of imperialism, ushering in the stage of its general crisis, when countries on virtually all the continents of the world began falling away from capitalism and taking the road of socialist development. At present, there is an economic competition and struggle between the two opposite world systems: socialism and capitalism. In these conditions, bourgeois ideologues have been straining to prove that both Marx's analysis of capitalism set out in his *Capital* and Lenin's doctrine of imperialism are outdated and do not reflect the "qualitative" changes that have taken place in the capitalist countries over the past few decades.

True, capitalism has been developing and adjusting to the new conditions connected with the ongoing scientific and technical revolution, state-monopoly capitalism and other phenomena. But in spite of all its modernisations, the fundamental essence of capitalist production, the exploitation of wage-labour by capital, has not changed since Marx's day.

Now as in the past, the works of the founders of scientific communism remain a handbook for all those who want to gain a deep understanding of the capitalist mode of production, to

examine it from correct theoretico-methodological positions.

## What Is Commodity Production?

In the early stages of mankind's development, the natural economy prevailed. Patriarchal peasant households, slaveholding latifundia and feudal estates were essentially natural.

So what are the conditions for the transformation of natural production into commodity production? First of all, commodity production calls for the development of social division of labour. But that is not enough, for division of labour also existed, for instance, in the ancient Indian community, among whose members were landholders, smiths, potters, carpenters, etc. But all they produced was distributed among the community's members without purchase or sale on egalitarian principles. That was so because the product of labour belonged to the community as a whole, and not to its individual members.

The second major condition engendering commodity production is the emergence of private property in the means of production. When the handicraftsman becomes the private owner of the means of production and the resultant products, he is able to sell the products of his

labour. Consequently, the combination of these two factors – social division of labour among the producers and private property in the means of production – inevitably engenders commodity production.

There are two historical forms of *commodity production*: first, *simple commodity production* of peasants, handicraftsmen, etc., and second, *capitalist commodity production*. They are of the same type, for both are based on private property in the means of production, and the exchange of commodities is spontaneous and haphazard.

But there are essential distinctions between simple and capitalist commodity production. Under simple commodity production, the means of production and the product of labour belong to the producer himself, and there is no exploitation of man by man. Under capitalist commodity production, the immediate producer is detached from the means of production, and the product does not belong to him, but to the owner of the means of production, the capitalist, who exploits wage-workers.

Under capitalism, most of the products are turned out for sale, that is, become commodities. Everything there is bought and sold: plants and factories, railways, land, consumer goods, etc. What is most important, the relations between the capitalists as the owners of the means of production and the wage-workers, who sell



their labour-power to the capitalists, also assume a commodity character.

It is only natural, therefore, that Marx should start his investigation of capitalist production with an analysis of the commodity. In Chapter I of *Capital*, he writes that "the wealth of those societies in which the capitalist mode of production prevails, presents itself as 'an immense accumulation of commodities', its unit being a single commodity. Our investigation must therefore begin with the analysis of a commodity."<sup>1</sup> Such an approach is fully justified. Without understanding the nature of the simplest cell, it is impossible to study the complicated organism of a plant or animal. So, an analysis of the economic unit of the bourgeois society—the commodity—is a key to understanding the essence of capitalism and its development uniformities.

## The Commodity

As it was noted above, the commodity is a product of labour meant for sale, for exchange, rather than for personal consumption. What are its properties?

For a product of labour to become a commodity, it should first of all satisfy human wants of some sort or another (personal or social),

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<sup>1</sup> Karl Marx, *Capital*, Vol. 1, p. 43.

that is, it should be a *use-value*. That property of the commodity is determined by its physical, chemical, mechanical and other properties. Thus, the use-value of a coat or a pair of shoes lies in the fact that they serve to satisfy human requirements in clothes and footwear. Bread, meat and milk, which should meet human requirements in food, have other use-values. Books satisfy the spiritual requirements of the readers, and machines satisfy man's social requirements in the production of various goods.

Evidently, the range of use-values is very wide. A point to note here is that in order to become a commodity, a product should meet the requirements of other people instead of its own producers, that is, it should be a social use-value. That is natural, for a product meant to satisfy the producer's own requirements cannot be seen as commodity. A product of labour becomes a commodity only when it is meant for exchange, for purchase and sale.

Commodities are exchanged for one another in definite quantitative proportions. A sack of flour, for example, can be exchanged for two axes. The capacity of a commodity to be exchanged for another commodity in a definite quantitative proportion is called its *exchange-value*.

So, to become a commodity, a product of labour must have two properties: first, a use-val-

ue, that is, a capacity to meet some human requirement, and second, an exchange-value, that is, a capacity to be exchanged for another commodity in definite quantitative proportion. These two properties of the commodity are closely tied in with each other. If one of them is absent, there will be no commodity, which expresses economic relations through exchange.

It could appear at first glance that the quantitative proportions in which commodities are exchanged for one another are purely accidental, especially since these proportions keep changing. It has been noticed, however, that over a period of time the fluctuations occur round some average level and that one commodity remains more expensive than another throughout these fluctuations: gold, for instance, is dearer than silver, and silver is dearer than iron. So, what determines the quantitative proportions in the exchange of commodities?

Bourgeois economists answer that question in different ways. Some believe that the exchange-value of a commodity is determined by the relation of supply and demand. They start from the assumption that when supply exceeds the demand for a commodity, its price tends to go down, and when demand exceeds supply, the price of the commodity tends to go up. But such a line of reasoning does not answer the question of what will determine the price of

a commodity if supply and demand coincide. Nor does it answer the questions of what determines the more or less stable level of quantitative proportions round which prices fluctuate, or why gold is more expensive than silver, and silver more expensive than iron in all the fluctuations.

Many bourgeois economists explain the proportions in the exchange of commodities by their utility. In their opinion, the greater the utility of a commodity, the higher is its use-value and the higher its price. But how can one compare qualitatively different use-values? What is there in common, say, between the use-value of citrus fruit and that of a book? The difference in use-values, which makes the producer want to have the use-value he does not have, is the motive for an exchange of commodities, but it cannot determine the quantitative proportions of that exchange.

## Commodity-Value

The quantitative comparison of commodities implies that they have something in common, which makes them commensurable. In spite of all the distinctions between the use-values of commodities, all of them have one common property: that of being products of labour. The

labour expended in the production of commodities is the only possible basis for establishing the proportions in which they are exchanged. But different producers expend unequal amount of labour on the production of one and the same type of commodity. That depends on such factors as differences in technical levels and labour productivity, in skill standards and the intensity of labour. If the value of a commodity depended on the amount of labour-time expended on its production by each individual producer, the one who spent more time on its production would be at an advantage. That is why the *value* of a commodity (its *social value*) is determined by the amount of labour-time necessary for its production under average socially normal conditions, with the average degree of labour skill and intensity prevalent at the time. Such labour-time is known as socially necessary labour-time, and it determines the social value of the commodity.

### The Two-Fold Character of Labour

Since the commodity has two properties—use-value and exchange-value—the labour embodied in it has the same two-fold character.

Diverse types of labour in the society create

diverse use-values. Each use-value embodies labour of a certain type: grain embodies the labour of a farmer; clothes, that of a tailor; and steel, that of a steel worker. *Concrete labour* creates definite use-values.

In exchanging commodities, like grain and clothes, we put out of sight the different concrete types of labour that creates these commodities. Grain and clothes here are the products of man's physical and mental efforts, of expenditures of labour in general which differ only in quantity, but not in quality. Such labour in general, without regard to its concrete type, is called labour in the abstract, or *abstract labour*. Such labour creates the value of a commodity.

So, on the one hand, labour is concrete and creates use-value. On the other hand, the labour of any commodity-producer is an expenditure of labour in general, or abstract labour, which is a part of the whole mass of social labour, and which creates the value of a commodity. In other words, the labour of a commodity-producer has two aspects, and is both concrete and abstract.

To sum up, one could draw the conclusion that *the value of a commodity is the abstract socially necessary labour expended on its production and embodied in the commodity*. Hence, *the magnitude of the value of a commodity is primarily determined by the duration of labour-time*. The greater

the expenditure of socially necessary labour-time on the production of a commodity, the higher is its value. With the growth of labour productivity, the value of a commodity unit is reduced.

Marx was the first to discover the two-fold nature of labour, which was of great importance in bringing out the essence of capitalist production and the laws of its development. Marx believed that the two-fold nature of labour is "the pivot on which a clear comprehension of Political Economy turns"<sup>1</sup>.

### The Contradiction Between Private and Social Labour

The commodity contains in embryonic form all the contradictions of the capitalist system. As we have already seen, value is social labour embodied in the commodity. At the same time, the commodity producer's labour in an economy based on private property has a private character. What he produces is his personal, private business. He can produce whatever he likes: clothes, footwear, furniture, bread, etc., and it appears at first glance that he has complete

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<sup>1</sup> Karl Marx, *Capital*, Vol. 1, 1984, p. 49.

freedom. But that impression is false, for in actual fact the commodity producer is bound by the social division of labour. To make clothes, for instance, a tailor needs many other objects which he does not make himself. So, he depends on other commodity producers, who are private property owners, just as the tailor himself. While having an immediately private character, the labour of each commodity producer is a part of the whole mass of social labour. But that social character is concealed and only manifests itself on the market in the process of commodity exchange. It is only when the producer puts his commodity up for sale on the market that he finds out whether the society needs that commodity, that is, whether his labour is a part of social labour. If he has produced a commodity which the society does not need, it will not be sold. In other words, its use-value will not be recognised by the society, and the labour expended on its production will have been wasted. Often it is the other way round: a commodity which has a social use-value and which is needed by the society and its members cannot be sold in view of the poverty of the masses, who lack the money to buy it. In that instance, the labour spent on the production of the commodity is also wasted. These phenomena are a manifestation of the contradictions between the commodity's use-value and its value, between concrete



and abstract labour, which express the basic contradiction of simple commodity production: that between private and social labour.

So, the labour of commodity producers has both an immediately private and a latently social character, with the latter manifesting itself only indirectly, through purchase and sale on the market. Where bourgeois economists had seen nothing but relations between things, between commodities, Marx brought to light relations between people covered up by a material integument.

### How Does the Law of Value Operate?

The economic law of the movement and development of commodity production is the *law of value*. Its essence is that commodities are produced and exchanged in accordance with the socially necessary labour inputs.

In the conditions of commodity production based on private property, the law of value operates spontaneously and haphazardly in the course of competitive struggle. There are three main forms of its operation.

First, the law of value spontaneously regulates the division of social labour among the various industries through constant price fluctuations

around their value under the impact of changes in the relation of supply and demand. Under the impact of the changes in supply and demand, there is a spontaneous change in prices, and the commodity producers begin to leave those industries the demand for whose commodities is lower (with correspondingly lower prices) and to move into industries where the demand is higher (with higher prices), and that once again will lead to an increase in the demand for the commodities produced in the industries left by these producers and, on the contrary, will reduce the demand for the commodities produced in the industries where production turns out to be superfluous. With the development of capitalist production, when huge masses of commodities are turned out at big enterprises, the haphazard character of these fluctuations, the anarchy of production is most fully manifested. It is intrinsic to capitalism, and reaches its peak at the time of economic crises.

Second, the operation of the law of value entails a differentiation (stratification) of the commodity producers, most of whom are ruined and turn into proletarians, while a few are enriched and turn into capitalists. How does that happen? Commodities are produced under different conditions, at different technical levels and with different labour productivity, so that the individual value of commodities turned out by

different producers is not the same. Let us assume, for instance, that one producer makes a commodity in 10 hours, and another in 15 hours, whereas on the market that commodity will be sold at its value, which is determined by the socially necessary labour-time. If that time equals, say, 12 hours, the first producer selling his commodity will obviously pocket an additional income, while the latter will suffer a loss. In that way, some producers will be ruined in the course of the competitive struggle, while others will be enriched.

Machine production based on the latest technology, which is beyond the reach of small producers, is a powerful instrument of competition in the hands of the capitalist. By introducing technical innovations, the capitalists reduce the value of their commodities, become more competitive, and ruin masses of small commodity producers.

Third, the operation of the law of value promotes the spontaneous technical progress of commodity production. Use of new technology raises labour productivity and reduces the individual value of commodities as compared with their socially necessary value, and that yields additional income. That is why commodity producers are economically interested in technical progress as a means of boosting their incomes and as a weapon in the competitive struggle.

## What is Money?

As we have already seen, there was a time in human history when money did not exist and people had no need of it. Those were the days of the primitive-communal system. Money first emerged in the slaveholding society. Some bourgeois economists believe that money is a gift of nature, for the natural, inherent properties of gold and silver turn them into money. Others believe that money is a result of state activity.

Marx was the first to give a scientific explanation of the essence and origins of money. Money emerged with the development of commodity production and exchange, with the development of the forms of value.

The value of a commodity can only be expressed by equating it to another commodity, by way of its exchange for another commodity. However, in the conditions of developed commodity production and exchange, commodities are not exchanged for each other in a direct way, but are all measured in terms of money, so that the value of each commodity is expressed in a definite amount of money. Money is the universal commodity, the universal equivalent.

Under commodity production, the labour inputs of the producers are spontaneously evaluated by means of money. The labour embodied in the commodities is not measured directly

in labour time, but indirectly, through the equation of all commodities to money. With the emergence of money, the whole world of commodities was divided into two poles: at one pole are all the conventional commodities, and at the other, money as a special commodity. Money came to perform a special social function as a universal equivalent, as a common measure of the value of all commodities.

The essence of money is expressed in its functions. Under capitalism, money functions as: 1) a *measure of value*, 2) a *medium of circulation*, 3) a *means of hoarding*, 4) a *means of payment*, and 5) *universal money*.

The value of all commodities is expressed in terms of money. That function—as a *measure of value*—is performed by money as an ideal act, that is, the value of a commodity is mentally equated to the value of money. In other words, the act does not require any real money. Every commodity has a price. *Price* is the monetary expression of the value of a commodity. To determine the price of a commodity, it is necessary to have a *standard of price*, which is a fixed quantity of gold accepted as a unit of money. In contrast to value as a social measure, the standard of price is a technical measure. Each country has its own national standard of price, its own monetary units: the dollar in the USA, the pound sterling in Britain, the

franc in France, etc. The US dollar, for instance, up to December 1971 contained 0.888671 grammes of gold. So, instead of saying that a thing costs 8.88671 grammes of gold, we say that it costs 10 dollars.

Money can perform its function as measure of value as an ideal act only because it already functions in the sphere of circulation as real money. To buy a commodity, one has to have real money. When commodity exchange first emerged, one product was directly exchanged (bartered) for another, which amounted to simple commodity exchange and could be expressed by this formula:  $C(\text{commodity}) - C(\text{commodity})$ , or  $C - C$ . Under developed commodity production, the commodity is first sold in exchange for money, and that money is then used by the former seller to buy another commodity. The formula will now be different:  $C(\text{commodity}) - M(\text{money}) - C(\text{commodity})$ , or  $C - M - C$ .

Exchange in which money is the mediating link is called the circulation of commodities. Money here performs the function of a *medium of circulation*. If money is to perform that function, a definite amount of it should be in supply. That amount is primarily determined by the quantity of circulating commodities and the sum-total of their prices. At the same time, since every monetary unit can service more than one act of purchase and sale, the faster the currency

of money (that is, the faster its movement from the hands of the buyer to those of the seller), the less of it is needed, and vice versa. Hence the formula:

Quantity of money necessary for the	=	Quantity of commodities	×	Prices of commodities
circulation of commodities		Velocity of the currency of money		

Money is a universally recognised embodiment of wealth, for under capitalism it can be converted into any commodity. The only money that can be hoarded is that which really exists, i. e., hard cash. In that case, the money received from the sale of a commodity ( $C-M$ ) is held and withdrawn from circulation. In other words, it is accumulated and transformed into a *hoard*.

Money functions as a *means of payment* in the purchase and sale of commodities on credit, when the buyer purchases a commodity but pays for it at a later period. In this way, the connection between the commodity producers is strengthened: the buyer becomes a debtor, while the seller becomes a creditor. When it is time to repay the debt, the debtor-producer must sell his commodity and pay the creditor-producer. If his commodity cannot be realised, both the debtor and the creditor find themselves in a hard position.

In international settlements, money functions as *universal money*. It serves as a universal means of purchase when it is necessary to pay for goods which have been bought, and as a universal means of payment when it is necessary to repay debts. Universal money is also a universal embodiment of social wealth, which its owners can move from one country to another for political, economic, military and other reasons. In that function, money "strips off the local garbs" which it assumes as national standard of price, and appears in its original form of bullion, or bars of precious metals which are accepted by weight with regard to their purity (standard).

There was a time when money came in the form of gold and silver coins. In the imperialist countries of our day, paper money has replaced gold and silver in commodity circulation. When the quantity of the paper money being issued exceeds the quantity of gold necessary for the circulation of the existing mass of commodities, paper money is depreciated. Supposing the quantity of paper dollars twice exceeds the necessary quantity of gold, for which they substitute. In that case, the paper money is depreciated by one-half, and prices go up. The bourgeois state issues large quantities of paper money to meet its expenses, its arms expenses above all. The depreciation of money as a result of its



excessive issue is called *inflation*. In our day, the working people in the capitalist countries suffer from racking inflation, with prices going up annually by 10, 20, 30 or even more than 100 per cent. And that is understandable, for the workers and employees receive their wages and salaries in depreciating money, while the prices of goods rapidly increase.

In the bourgeois society, where everything is buyable and sellable, money is a powerful force. Money can buy any commodity and satisfy any whim. Such spiritual values as honour, love or conscience are also an object of purchase and sale. The greed for money engenders depravity, murders, robberies and other crimes. Money helps to justify any crime. In their drive for profit, the arms manufacturers representing the military-industrial complex are not restrained by the horrors of bloody and destructive wars.

A person's place in the bourgeois society depends on his wealth. A US businessman, for instance, is said to be "worth so many millions of dollars". The power of money is connected with a favourite bourgeois myth about so-called "equal opportunities", according to which any enterprising individual can make a pile of money if he so chooses. He should only wait for his lucky hour.

The power of money in the bourgeois society

is due to the fact that it can be converted into capital, an instrument for the exploitation of wage-labour, a source of profit and enrichment.

## The Essence of Capitalist Exploitation

In the capitalist society, there are two opposite classes: the *bourgeoisie*, or a class of capitalists who own the means of production and the social wealth; and the *proletariat*, or a class of wage-workers who are deprived of the means of production and are an object of exploitation.

The conditions for the emergence of capitalism took shape at the time of the disintegration of feudalism and the primitive accumulation of capital. Those were: 1) the formation of a mass of dispossessed people (the proletariat), who were personally free but were deprived of the means of production, and who could only survive by selling their labour-power to the capitalist; 2) the accumulation of money and the means of production in the hands of some individuals; 3) the formation of the world capital market.

Under simple commodity production, the commodity owner sells the commodities he has produced in order to buy others he requires. The formula of simple commodity circulation is  $C-M-C$ , and the goal of that type of commodity exchange is to meet the requirements of the commodity owner.

The capitalist engages in production for the sake of profit. He advances a sum of money in order to get much more. So, the formula of capital is different from that of commodity circulation. It can be expressed as  $M-C-M'$ , where  $M' = M + s$ . In that formula, the two extreme elements (money) are of the same kind, and there is no qualitative distinction between them. But some distinction must exist, for otherwise the exchange would be senseless. One can hardly imagine a capitalist with \$10,000 producing a commodity only to sell it for the same \$10,000. In fact, there is a distinction between  $M$  and  $M'$ , but that distinction is quantitative. Supposing that the capitalist used \$10,000 to buy a commodity ( $C$ ) and then sold it for \$11,000, so augmenting his capital by \$1,000. Marx called these \$1,000—the increment to the advanced capital—*surplus-value* ( $s$ ). It is the goal, the final point of the movement of capital.

The question now arises: what is the source of the increment to the initially advanced sum of money? After all, according to the laws of commodity production and circulation, the capitalist buys a commodity and sells it at its value, at its equivalent, so that no increase in the originally advanced sum of money can or should occur. But such an increase does occur. Without it, the whole process of capitalist production,

from the standpoint of the capitalist, would have been perfectly senseless. So what is the secret?

Some bourgeois researchers believe that the increment to the advanced money springs from exchange. To make such an assumption, however, is to enter a vicious circle, for what the capitalist wins as a seller he loses as a buyer, and vice versa.

In actual fact, the source of the increase in the advanced capital lies in the special properties of the commodity (C) purchased by the capitalist.

In launching his business, the capitalist erects premises and buys machinery, equipment, raw materials and other means of production. He also hires workers. The act of hiring workers is an act of buying their only possessions: their labour-power, their capacity for work. Under capitalism, labour-power becomes a commodity, and like any commodity it has its value and use-value. The *value of the commodity labour-power* is determined by the expenditure of social labour on its production (and reproduction). In order to live and work, a person has to have food, clothes and housing, that is, he has to meet his needs. But all these means of subsistence required by the worker are commodities and have a value of their own. That is why the value of the commodity labour-pow-

er is determined by the value of the worker's means of subsistence. Since capital needs a steady flow of labour-power, the value of labour-power should also include the value of the means of subsistence required to maintain the worker's family. Since capitalists need skilled workers who can operate sophisticated machinery, the value of labour-power should also include outlays on the worker's training and education.

Like any commodity, labour-power also has its use-value, and that is where the mystery of capitalist exploitation lies. The point is that labour-power has a specific use-value which no other commodity in the world possesses. The use-value of any commodity, like bread, clothes, footwear, etc., is fully used up in the process of consumption, while the use-value of the commodity labour-power, far from being used up in the process of its consumption, has the capacity to produce more value than it has itself. Let us consider the following example.

Let us assume that the owner of a textile mill employed a worker, and at the end of the working day paid him \$10. In every hour of labour, the worker created \$2 worth of value.

Let us also assume that in a 10-hour working day the worker produced 100 metres of fabric, using up \$50 worth of yarn and other means of production. What will be the value of the 100 metres of fabric? First, it will include the

value of the used-up means of production: \$50. Second, it will include the value created by the worker's labour in the course of 10 hours: \$20. As a result, the value of 100 metres of fabric will total \$70.

And how much did it cost the capitalist to produce the 100 metres of fabric? He spent \$50 to buy the means of production and \$10 to pay the worker's wages, which amounts to only \$60. Evidently, if the capitalist sells the 100 metres of fabric at value, he will receive \$10 more than he invested.

What is the source of these \$10? The answer is quite simple. The point is that it takes the worker only 5 hours to justify his wages, whereas the capitalist makes him work a 10-hour working day. So, for 5 hours out of 10 he works for himself, creating an equivalent of the value of his labour-power, and for the remaining 5 hours he works for the capitalist, creating a value which the latter appropriates without compensation.

In other words, the working day is divided into two parts. The part of the working day in the course of which the worker creates an equivalent of the value of his labour-power is called *necessary labour-time*, and the labour expended during that time is called *necessary labour*. The other part of the working day, when the worker toils for the capitalist, is called

*surplus labour-time*. In the course of surplus labour-time, the worker expends *surplus-labour* and creates *surplus-value*, all of which is appropriated by the capitalist. Consequently, *surplus-value* (*s*) is the value created during surplus labour-time by the worker's unpaid labour, or the excess of value over advanced capital.

Extraction of surplus-value is the main goal, the driving force of capitalist production. In the labour market, the capitalist buys the commodity labour-power in order to apply its specific use-value, its capacity for creating surplus-value. *The law of surplus-value is the basic economic law of capitalism, which expresses both the goal of capitalist production and the means of its attainment. It expresses the basic production relations of the capitalist society: relations of the exploitation of wage-workers by the bourgeoisie.* Under slavery and feudalism, the aim was to wring as much surplus-labour out of the toiling people as was necessary to satisfy the needs and whims of the slave-owners and the feudal lords. Under capitalism, the product of the workers' surplus-labour is converted into money, which can be and is put to use once again as additional capital yielding new surplus-value. That is why the capitalists show such rapacious greed for surplus-labour, using the most cunning forms of exploitation.

Having unravelled the mystery of capitalist exploitation, one can go on to define capital.

Bourgeois economists have diverse notions of it. David Ricardo, for instance, saw capital in the very first stone and stick used by primitive man. Present-day bourgeois researchers give similar definitions, reducing capital to a thing, to an object. Such an understanding of capital suits the bourgeoisie very well. If capital is a thing, this means it has existed from time immemorial, for man had to do with things from the very first steps of his activity.

In actual fact, capital is not a thing, but a definite economic relation between the bourgeoisie and the proletariat. Things in themselves—buildings, installations, machinery, raw materials—are not capital. Thus, a machine-tool operated by the handicraftsman himself is not capital. But the same machine-tool will turn into capital if its owner will use it to exploit wage-labour. So, *capital is value which brings its owner surplus-value through the exploitation of wage-labour.*

Different parts of the capital play a different role in the production of surplus-value. One part of it is used by the entrepreneur to buy means of production: to erect factory buildings and installations, to buy machinery, equipment, raw materials, fuel, etc. In the manufacture of a commodity, the value of these means of production is transferred to the finished product by means of the worker's concrete labour. Since the



magnitude of the value of this part of capital does not change, Marx called it *constant capital* ( $c$ ).

The other part of the capital, which goes to buy labour-power, changes the magnitude of its value in the process of production, increasing by the amount of surplus-value. Marx called it *variable capital* ( $v$ ).

So, the worker's concrete labour creates the use-value of the commodity and transfers the value of the used-up means of production to the finished product. At the same time, his abstract labour creates new value, of which surplus-value is a part. That is an expression of the two-fold nature of the wage-worker's labour.

In other words, the value of a commodity produced under capitalism falls into three parts: old value, or the value of the means of production transferred to the new product and the new value which is a sum of the value of labour-power and surplus-value.

Consequently, the value of a commodity produced under capitalism can be expressed in this formula:  $C = c + v + s$ , where  $C$  is the value of the commodity (commodity-value),  $c$ —constant capital,  $v$ —variable capital, and  $s$ —surplus-value.

The division of capital into constant and variable, introduced by Marx, brought out the different role of the component parts of capital

in the creation of surplus-value. Marx explained the mystery of surplus-value, providing scientific proof that the surplus-labour of the wage-worker is the only source of surplus-value, that surplus-value springs from the exploitation of wage-labour.

## The Ways of the Production of Surplus-Value

The capitalists seek to intensify the exploitation of the workers to the utmost in order to get as much surplus-value as possible. How can the degree of that exploitation be determined? It can be judged from the rate of surplus-value, or the proportion in which the working day is divided into surplus and necessary labour-time, for the surplus (unpaid) labour of the workers is embodied in surplus-value, while their necessary (paid) labour corresponds to variable capital. Consequently, the rate of surplus-value  $s'$  is determined as the ratio of surplus-value  $s$  to variable capital  $v$  expressed as a percentage. Hence the formula of the rate of surplus-value:

$$s' = \frac{s}{v} \times 100.$$

Thus, if the daily value of the labour-power is \$4, and the surplus-value produced during

the working day is \$6, the rate of surplus-value will be 150 per cent:

$$s' = \frac{6}{4} \times 100 = 150\%.$$

The rate of surplus-value shows the degree of the exploitation of labour-power. It can also be expressed as the ratio of different parts of the working day:

$$s' = \frac{\text{surplus labour-time}}{\text{necessary labour-time}} \times 100.$$

The rate of surplus-value is a relative magnitude, while the mass of surplus-value is an absolute magnitude. It expresses the amount of surplus-value appropriated by the capitalist. The mass of surplus-value depends on the rate of exploitation and on the number of wage-workers. The formula for the *mass of surplus-value* ( $S$ ) is  $S = s' \times v$ , where  $s$  is the rate of surplus-value and  $v$  is the variable capital advanced for the remuneration of all the workers. Evidently, the mass of surplus-value can be increased both by increasing the rate of the exploitation of labour-power and by increasing the number of wage-workers.

The rate and the mass of surplus-value in the capitalist countries has been steadily increasing.

Lenin estimated that the rate of surplus-value in tsarist Russia in 1908 was 102 per cent. According to the calculations of present-day economists, it reached 200 per cent in the USA in 1939 and 345 per cent in 1967-1973. At present, the figure is even higher. The rate of surplus-value is particularly high at enterprises owned by foreign capital in the developing countries. Workers' wages there are roughly one-third or even one-quarter of those in the USA and other capitalist countries, while labour productivity is not lower. So, the workers spend an ever greater part of the day producing surplus-value for the capitalists.

In their bid to increase the share of surplus-labour, the capitalists use two main methods. The first is to lengthen the working day. So long as the necessary labour-time remains the same, that makes it possible to increase the surplus labour-time, and so also the rate and mass of surplus-value.

Surplus-value created by an extension of the working day is called *absolute surplus-value*.

But the extension of the working day has its physical, social and other limits. That is why the urge to appropriate an ever greater mass of surplus-value makes the capitalists look for new and more effective ways of increasing the rate of exploitation.

The second way of increasing the degree of

the exploitation of labour-power is to reduce the necessary labour-time while the duration of the working day remains the same.

Surplus-value created by a reduction of the necessary labour-time without any changes in the working day is called *relative surplus-value*.

How is it possible to reduce the necessary labour-time? Primarily by increasing social labour productivity in branches producing means of subsistence for the workers and in related branches. That serves to reduce the value of the worker's means of subsistence and, consequently, the value of labour-power. That entails a reduction of the necessary labour-time during which the worker produces a value that is equivalent to the value of his labour-power.

One of the varieties of relative surplus-value is *excess surplus-value*. It also leads to a reduction in the value of the worker's means of subsistence and curtails the necessary labour-time. In his drive for profit, every capitalist seeks to use new technology. Why is that so? The point is that so long as the technical innovations introduced by the capitalist have not been taken up by other entrepreneurs in the same industry, it will cost that capitalist less to produce the commodity, and the individual value of his commodities will be lower. But since these commodities will be sold at market price, which is determined by the average social conditions of

production at enterprises yielding the bulk of the products in the industry, that capitalist will receive an excess surplus-value.

But an individual capitalist can receive excess surplus-value only for a time, because other capitalists in the industry follow his example and begin to introduce new technology at their own enterprises, which serves to reduce the socially necessary labour-time for the production of the commodity, that is, to reduce the value of a commodity unit. Since the social value of the commodity goes down, the difference between it and the individual value of that commodity as produced at separate enterprises disappears. But as it disappears at some enterprises, excess surplus-value appears at others, stimulating the spontaneous technical progress of capitalist production.

It the drive for profit, capitalism has passed three stages of industrial development: 1) simple cooperation, 2) manufactory, and 3) machine production.

*Simple cooperation* was not engendered by capitalism but, as we have already seen, existed in precapitalist formations as well. But capitalism developed the considerable opportunities for labour productivity growth inherent in cooperation in order to increase profits. Under simple cooperation, labourers working in a workshop performed one and the same type of work.

The introduction of division of labour among the labourers within the workshop marked a transition to the *manufactory*. The first manufactories emerged in the 16th century and were based on manual implements. But specialisation of labour helped to perfect tools and led to a considerable increase in labour productivity. Thus, specialisation and division of labour in manufactories producing pins made it possible to multiply labour productivity 240-fold. In the late 18th and early 19th centuries, the development of manufactories led to a transition to *machine production*. Machines first emerged and began to spread in Britain, and eventually big machine production asserted itself in other countries as well.

The first machines were made at the manufactories by hand. Later on, with the development of machine-making machines, machine production was put on a solid basis corresponding to capitalism and became predominant.

The transition from the manufactory to machine production marked a fundamental technical revolution, which overwhelmed the age-old art of the craftsman. The old social relations in town and country were breaking up, and capitalist production took over one branch after another, squeezing out and ruining the handicraft producers. In big machine industry, capitalism found the form of production which best

suit its exploitative nature, its insatiable greed for surplus-value.

Use of machinery under capitalism is deeply contradictory. Machines in themselves save and lighten human labour, and enrich its content. But under capitalism machines serve to intensify exploitation and increase unemployment. They increase the intensity of labour and wear out the human organism at a faster pace.

Since the running of a machine often does not require any special training or great physical strength, the wives and children of workers are drawn into capitalist production on an ever wider scale. That reduces the value of labour-power, for it is no longer necessary to include the value of maintaining the worker's family. In performing a separate, partial operation, the worker turns into an appendage of the machine, and the gap between mental and physical work tends to widen. When scientific and technical progress increases the share of mental work in the labour process, the working people's intellectual abilities also become an object of exploitation and a source of surplus-value.

What are the *limits of capitalist use of machines*? Capitalists need machines not to lighten the worker's toil, but to increase profit. Hence, the capitalist introduces a machine only when it is cheaper than the labour of the workers whom it replaced. Consequently, the lower the wages,



the less incentives the capitalists have to introduce machines. That is one of the reasons why a high technical level in some industries under capitalism coexists with backward routine machinery in other branches. The availability of cheap labour-power is a big obstacle in the way of technical progress in the industrially less developed countries. Instead of introducing machines, capitalists find it proper to use large masses of cheap labour on plantations, in the building and other industries.

So, machines under capitalism are an instrument for the ever more intensive exploitation of the workers. Machines confront them as capital, as a hostile force. It was no accident that when machines appeared in England workers and handicraftsmen rose up against them, smashing or damaging them in various ways. In the late 18th century and the early 19th century, a movement to destroy machines spread across the country. It is known in history as the Luddite movement, after the weaver Ned Ludd.

The workers eventually realised that their enemies were not the machines but the capitalists who owned them, and that there was no point in attacking the machines or calling for a return to manual labour. Such a struggle is pointless and even reactionary, for history cannot be reversed. One should fight against capitalism as a social system which puts all the achievements

of technical progress at the service of non-working, parasitic classes, and dooms the working class to poverty and rightlessness.

## The Two Poles of the Capitalist Society

Bourgeois economists assert that with the development of capitalism the condition of the working people is improved. Earlier generations, they say, did not know any railroads, ocean liners, gigantic cities, or huge plants fitted out with high technology and employing thousands of people. But this extension of man's power over nature has been attained at the price of the oppression and ruthless exploitation of many generations of working people, at the price of their worsening condition.

The capitalists' main concern is to increase their profits. In their drive for profits, they enter into a fierce competitive struggle among themselves. The greed for profit and rivalry induce the capitalists to enlarge the scale of production, for big enterprises have considerable advantages over small ones: they are better equipped with machinery, can obtain credits on easier terms and their goods can be sold in large batches at more advantageous prices.

In contrast to precapitalist formations, capital-

ism is marked by expanded reproduction, that is, by an expansion of the volume of production as it is repeated. In order to expand production, the capitalists use a part of the surplus-value they appropriate for purposes of accumulation, for increasing their constant and variable capital. Through an annual accumulation of a part of the surplus-value, the capitalist keeps increasing his capital. An increase in the size of the capital through the accumulation of a part of the surplus-value (the capitalisation of surplus-value) is called *concentration of capital*.

But increasing the size of the capital through the capitalisation of surplus-value takes a fairly long time. Thus, if an enterprise is initially estimated at \$2 million, by accumulating \$100,000–\$200,000 a year the capitalist will increase the total to \$3–\$4 million within a decade. So, capitalists also use a much faster method of enlarging their capital: the fusion (forcible or voluntary) of several capitals into a single capital. That is known as *centralisation of capital*.

The larger an enterprise, the greater is the mass of surplus-value appropriated by its owners, and the faster is the accumulation of capital. If a capitalist did not appropriate surplus-value (the workers' unpaid labour), in a few years he would have used up all his capital and

would have gone to the wall. But that does not happen and capitals, instead of shrinking, keep growing. That is because the capitalists appropriate the workers' unpaid labour. And no matter what the initial origins of a capital may have been, in a few years it turns into the accumulated unpaid labour of other people. Consequently, when the proletariat expropriates the fortunes of the bourgeoisie, it does no more than exact justice, taking into its own hands that which belongs to it by right.

Capital accumulation primarily means a growth of the capitalist's wealth. At the same time, the development of capitalism swells the numbers of the proletariat. Capital accumulation has a contradictory effect on the position of the working class. The growth of production not only increases the demand for labour-power, but also creates conditions in which some working people are thrown out of production, making up a relative "surplus" as compared with the requirements of capital. That is known as *unemployment*. What are the causes of that phenomenon?

As we know, capital is divided into constant  $c$  and variable  $v$ . The proportion between  $c$  and  $v$  is determined by the technical level of facilities available to labour. Marx introduced the concept of *organic composition of capital*, which reflects the changes between the value of  $c$  and

$v$ , for these are connected with changes in the technical level.

That can be expressed as  $O = c/v$ , where  $O$  is the organic composition of capital. Thus, a transition from manual implements to machines means an increase in the technical level of facilities available to labour, and also an increase in the ratio of constant capital to variable capital in terms of value, i.e., a higher organic composition of capital.

As they expand production, the capitalists introduce new labour-swing machines. As a result, the correlation between constant capital  $c$  and variable capital  $v$  changes in favour of the former, that is, the organic composition of capital increases. That leads to a relative reduction in the demand for labour-power.

Let us assume that the organic composition of capital  $O = 1/1$ , that is, every 100 units of capital contain  $50c$  and  $50v$ . As a result of technical reequipment, the organic composition of capital will increase, say, to  $3/1$ , that is, every 100 units of capital will consist of  $75c$  and  $25v$ . Consequently, variable capital will be reduced from 50 per cent to 25 per cent, or by one-half. This means that the demand for labour-power at that particular enterprise will also be reduced by one-half. Use of new machinery under capitalism ejects a section of the workers from production and leads to mass unem-

ployment.

The army of unemployed is swelled not only by these redundant workers, but also by ruined peasants, handicraftsmen and other small producers. Millions of dispossessed peasants turned proletarians are obliged to leave their homes and go to the towns in search of work, joining the ranks of the unemployed. In our day, unemployment in the capitalist countries has become massive and chronic. Expanding during periods of economic crisis, it no longer dissolves during periods of recovery and revival, as it used to do before imperialism.

The army of unemployed puts pressure on the labour market and lowers the wages of employed workers to below the value of their labour-power. The capitalists use unemployment to intensify labour, reduce the working people's living standards, and increase their own profits. The capitalists need mass unemployment in order to supply their enterprises with cheap labour-power in periods of economic revival. A large reserve army of labour, an army of unemployed, is always at the disposal of the capitalists. Unemployment, which inflicts immense hardship and suffering on the working people, is an inevitable evil of capitalist production.

The greater the accumulation of capital and social wealth under capitalism, the larger is the number of unemployed and impoverished people.

Accumulation of capital at one pole of the society, the luxury, extravagance and idleness of the bourgeoisie, means worsening conditions and a decline in the living standards of the proletariat, the producer of the society's entire wealth, at the other pole of the society. Such is the essence of the absolute *general law of capitalist accumulation* discovered by Marx. That law shows the inevitability of a *relative and absolute worsening of the proletariat's condition under capitalism*.

Under present-day capitalism, the relative worsening of the proletariat's condition is primarily expressed in the shrinking share of wages in the national income, that is, in the value newly created in the society in the course of a year, and also in the gross national product. There is no truth in the bourgeois myth about a so-called "incomes revolution" allegedly unfolding in the capitalist countries over the past decades. Such factors as the rise in the prices of the basic necessities, the policy of wage-freezes, the sharp curtailment of social programmes, and the growing burden of taxation falling on the working people as monopoly taxes are lowered play an important role in reducing workers' incomes as compared with capitalist profits. Redistributing the national income in favour of the monopolies, the bourgeois state pays for the immense military expenditures at the expense of the working people.

The absolute worsening of the proletariat's condition manifests itself in lower living standards. To judge about the living standards of the working class, one should take into account a whole set of indicators, including the size of money wages and consumer prices, the degree of employment and unemployment, the intensity and duration of labour, the level of taxes, and housing, cultural, everyday and other conditions.

With the development of capitalism and growing capital accumulation, the condition of the working class has tended to worsen, even if some indicators have improved. Thus, the workers' persevering struggle has resulted in some growth of nominal wages, but that is more than offset by the intensification of labour, rising unemployment, greater uncertainty in the future, and higher taxes and prices. Inflation has become one of the most powerful instruments in redistributing the national income in favour of the exploiter classes.

The condition of the working class particularly worsens in the years of economic crises. During revivals, there can be some increase in wages and a reduction in unemployment. But revivals are inevitably followed by crises, which lead to opposite results and worsen the condition of the working class.

The deterioration of the proletariat's condi-



tion differs in place in various countries and even in various industries and regions of one and the same country. In some countries, the proletariat manages to improve its lot, while in others poverty and hunger are ever more pronounced. The relative and absolute worsening of the proletariat's condition is a law-governed phenomenon. It manifests itself not only in poorly developed countries, where hundreds of millions of people are exploited by foreign monopolies and the national bourgeoisie, but also in the richest capitalist country, the USA. Tens of millions of people in that country live below the official "poverty line". Many of them are non-white: Blacks, Hispanics and others.

Bourgeois researchers are compelled by the hard facts of capitalist reality to admit the relative worsening of the proletariat's condition. But they stubbornly deny any absolute worsening. Present-day workers, they say, enjoy such benefits as they have never had before. Have they ever had such cars, TV sets, refrigerators, washing machines and other consumer durables? Hasn't the sphere of social insurance expanded, haven't unemployment benefits increased, etc.?

As the result of a determined class struggle, the working class of the developed capitalist countries has indeed managed somewhat to raise its material standards, compelling the bourgeoisie to give up a part of its profits and to

make some concessions in the field of social legislation. But that does not refute the fact of the greater exploitation and social poverty of the masses, for the development of the productive forces under the scientific and technical revolution and the growth of social wealth not only engenders new material and spiritual requirements among the working people, but also makes it ever more difficult for them to meet their requirements to a normal extent. The growing lag of the working people's material standards behind their rapidly growing material and spiritual requirements, shows an absolute worsening of the proletariat's condition. Thus, even according to the official data contained in the US president's annual report, the real wages of workers in production declined by 15 per cent in the past decade, and unemployment in that period went up from 6 to 8-10 per cent.

All that worsens the condition not only of the blue-collar, but also of the white-collar workers, who are being exploited in ever new and more refined ways. Small producers, especially in periods of crisis, are also impoverished and ruined. Thus, from 1935 to 1975, the number of farms in the USA went down from 6,814,000 to 2,819,000. So, the development of capitalism, especially at its highest, monopoly stage, leads to the proletarianisation of a majority of the population and fully confirms Marx's law of capi-

talist accumulation.

In tracing the *historical tendency of capitalist accumulation*, Marx showed that the progress of capitalism's productive forces on the basis of the production and appropriation of surplus-value leads to a gigantic socialisation of production and creates the objective prerequisites necessary for a transition to socialism. The basic contradiction of capitalism—that between the social character of production and the private capitalist form of appropriation—is deepened. The irreconcilable conflict between the productive forces and the capitalist relations of production which have come to fetter their development demands to be resolved. It can be resolved, but only through revolution, through a replacement of the capitalist relations of production with socialist ones, which give free scope for the development of the productive forces. Objective prerequisites are not sufficient for the transition from capitalism to socialism, because the obsolete ruling classes will never leave the historical scene of their own accord. That is why another necessary condition for a transition from capitalism to socialism is the winning of political power by the proletariat and the revolutionary transformation of the capitalist society.

Marx wrote: "Centralisation of the means of production and socialisation of labour at last reach a point where they become incompatible

with their capitalist integument. Thus integument is burst asunder. The knell of capitalist private property sounds. The expropriators are expropriated.”<sup>1</sup>

History has borne out Marx's brilliant scientific forecast. In October 1917, the world heard the death knell of capitalist private property in Russia, the first ever country to build socialism. Since the Second World War, the knell of capitalist property has sounded in a number of countries of Europe, Asia and Latin America.

## Exploiters' Incomes

The surplus-value created by the labour of wage-workers is the source of the unearned incomes of all the exploiters in the bourgeois society. It is distributed spontaneously, in the course of fierce competition among the industrial and trading capitalists, bankers and landowners. Each group of capitalists receives its share of the surplus-value in a special form: industrial capitalists in the form of *industrial profit*, traders in the form of *trading (merchant's) profit*, loaning capitalists (bankers) in the form of *interest*. Land-owners get their share in the form of *ground-rent*.

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<sup>1</sup> Karl Marx, *Capital*, Vol. I, p. 715.

The surplus-value created by the workers' labour is primarily appropriated by the industrial capitalists, from whom trading and loaning capitalists get their respective shares in the course of competitive struggle.

Surplus-value is not produced in the form of money, but is embodied by the wage-worker's labour in a commodity. In order to convert surplus-value into money (into dollars, pounds sterling, francs, etc.), the capitalist has to sell his commodities.

Let us assume that a capitalist enterprise produces footwear, whose value is represented by the formula:  $C = 20c + 20v + 10s = 50$ . But since the capitalist has invested in production his capital, instead of his labour (as the simple commodity producer does), the *capitalist costs of production*, or *cost-price of a commodity* (what the commodity costs the capitalist himself) differ from the value of the commodity. If we designate the cost-price as  $k$ , the formula will look as follows:  $k = 20c + 20v = 40$ . Surplus-value ( $s = 10$ ) is not included in the formula, for it does not cost the capitalist anything. So, the outlays of capital on the production of a commodity amount to commodity-value minus surplus-value.

Having sold his commodity, the capitalist will receive a sum of money which will not only recoup his production costs, but will also

include some extra money (in this instance, 10). That excess is the surplus-value incorporated in the commodity which has assumed a money form as a result of the sale of the commodity and has thus been converted into profit  $p$ . Profit is the excess of the commodity's selling price over its capitalist cost-price  $k$ . Hence the impression that profit springs from all portions of the advanced capital, but its true source remains concealed. Marx called profit a converted form of surplus-value. Profit differs from surplus-value not only in form, but can also differ from it in quantitative terms: profit exceeds surplus-value if the selling price of a commodity is above its value, and drops below surplus-value if a commodity is sold under its value.

Since profit seems to spring from the whole of the advanced capital, bourgeois researchers have come up with all sorts of false theories. Thus, according to the "theory of abstinence", the capitalist receives profit because he abstains from spending the whole of his capital on himself, but invests it in business. One of the widespread theories in the capitalist countries is that of "three factors of production", according to which capital yields profit for the capitalist, land is a source of ground-rent for the landowner, and labour brings wages to the worker. The authors of that theory

present the superficial appearance of economic phenomena for their essence.

It does not make any difference to the capitalist where to invest his money: in the production of children's toys, cars, chewing gum, or war hardware. What matters for him is the size of the profit. He wants to extract as much profit per unit of his capital as possible. The *rate of profit* is the ratio of surplus-value to the whole of the advanced capital expressed as a percentage.

The formula for the rate of profit  $p'$  will thus run as follows:

$$p' = \frac{s}{c+v} \times 100 \times \frac{p}{k} \times 100$$

In our example, the rate of profit will constitute:

$$p' = \frac{10}{20c + 20v} \times 100 = 25\%$$

It is easy to see that the higher the rate of surplus-value, the higher is the rate of profit ( $s' = \frac{s}{v} \times 100$ ). At the same time, the rate of profit is in inverse proportion to the organic composition of capital.

The organic composition of capital differs from one branch of capitalist industry to another. So, if the commodities were sold at value,

the rates of profit would differ from one capitalist to another. Experience shows, however, that the capitalists of all industries, irrespective of the organic composition of capital, receive an *average profit* on capitals of equal magnitude. Why is that so?

The point is that under capitalism there is *competition within and between the various industries*, in the course of which capitals keep flowing from the less profitable to the more profitable industries, and the rates of profit tend to even out. Commodities are no longer sold at value, but at the *prices of production*, which ensure an average profit for the capitalists. The price of production is made up of capitalist cost-price  $k$  plus an average profit  $p'_{av}$ . When commodities are not sold at value, but at the prices of production, a part of the surplus-value produced by the workers in industries with a low organic composition of capital is transferred to ones with a higher organic composition of capital, where the rate of profit is lower. In that way, the rates of profit even out. The capitalist receives his share of the profit on capital of equal magnitude from the total mass of surplus-value produced in the country. Hence the important conclusion that the workers are exploited not only by their own employers, but by the capitalist class as a whole. And only a struggle



against the whole capitalist class can emancipate the worker from wage-slavery.

Trading capitalists receive their share of the surplus-value in the form of *trading profit* (average profit). Industrial capitalists usually sell their commodities to traders, rather than to the consumers themselves. Since he specialises in marketing, the trader has a better knowledge of the market and can sell the commodities much quicker, which makes it possible to reduce marketing expenditures. That is why the industrial capitalist, who is thus enabled to invest more money in actual production, agrees to give up a part of the surplus-value to the trader.

Alongside the industrialists and traders, surplus-value is also appropriated by loaning capitalists (bankers), who have come to replace the usurers. Capital which is loaned out and which bears *interest* is called loan capital.

Payment of interest to the loaning capitalist is possible because the capitalist who receives the money loan uses the money at his enterprise as capital, instead of spending it, say, on the purchase of luxury items. That capital yields a surplus-value for the borrower, who gives a part of it to the banker in the form of interest. Just as in the sale of any other commodity, the price of capital as a commodity depends on the correlation be-

tween its supply and the demand for it. The interest is usually a part of the average profit. When the supply of money exceeds the demand for it, the interest rate falls, but no one ever loans out money free of charge.

Although interest is a part of the profit, its source is obscured, so that one gets the impression that money itself yields money income in the form of interest, just as an apple-tree bears apples. In other words, money as such seems to be the source of income. That supreme mystification is engendered by the very formula of loan capital:  $M-M'$  where  $M' = M + s$ .

Capitalists loan out money through special institutions, or *banks*. Bankers are typical representatives of money capitalists, dealers in commodity-capital. The free money resources of industrial and trading capitalists and organisations, individual savings, and also the funds of coupon-holders otherwise called rentiers (capitalists who prefer to receive an income in the form of interest instead of running their own business) flow to the banks, which pay out a certain interest to their depositors. The banks, however, do not simply store the sums of money they have collected, but actively loan them out, and at a higher interest rate. Banks are capitalist enterprises which trade in loan capital. The banker's profit in the form of

average profit springs from the difference between the interest paid out by the bank on the money it receives in the form of deposits and the interest it gets on the loans it extends.

A part of the surplus-value goes to the owners of land. How does that happen?

Virtually in all the capitalist countries, large areas of land still belong to the big landowners. The latter do not usually engage in farming their land themselves, but lease tracts of land to tenant-capitalists (or capitalist farmers) for a certain sum of money. The capitalists are obliged to give up to the landowners a portion of the surplus-value they receive from the exploitation of the farm workers they employ. The part of the surplus-value which the tenant capitalist gives up to the owner of the land is called *ground-rent* (or land rent).

Capitalist ground-rent differs from the feudal rent considered earlier. First, feudal rent is a relation between two classes, feudal lords and serfs, whereas capitalist rent is a relation between three classes: landowners, tenant capitalists and farm labourers. Second, in the form of feudal rent the landowners withdrew the whole of the surplus-product, whereas in the form of capitalist ground-rent they withdraw only a part of the surplus-value. The other part goes to the tenant capitalists in the form of profit on capital.

Where does the tenant-capitalist take the money to pay ground-rent?

Different plots of land differ in fertility, so that equal quantities of capital applied to different plots of land will result in different yields and different inputs per unit of produce. The inputs will be highest on the least fertile plot, and lowest on the most fertile plot. The produce from both plots, however, will be sold at equal prices, determined by the per-unit inputs on the worst plot. That is so because the quantity of land is limited and the least fertile plots cannot be discarded, for the society needs the produce of all the land. So, the capitalists who farm the best or medium-fertility plots receive an additional profit. That profit goes to the landowner in the form of ground-rent, and the tenant-capitalist receives an average profit. Rent connected with different fertility of land is called *differential rent I*. Such rent also arises when a plot of land is located closer to the market, for the lower the transport costs, the higher is the tenant-capitalist's profit.

The capitalist farmer can intensify his production and raise the fertility of the soil by using machinery, fertilisers, quality seeds, etc. All that requires additional outlays of capital on the same plots of land. But equal additional investments can yield different amounts

of produce, have a different effectiveness. More effective investments ensure an extra profit for the capitalist, who will receive it until the lease expires. When renewing the lease, the landowner will raise the rent, and that extra profit will flow into the pocket of the landowner. That surplus over and above the average profit received from additional capital investments in one and the same plot of land is called *differential rent II*.

The tribute paid by the tenant-capitalist to the landowner is not confined to differential rent. The landowners receive rent from the worst plots as well. Where does it come from?

The owner of the worst plot of land does not put it at the tenant-capitalist's disposal free of charge, so that in selling the produce from that plot the latter has to extract a surplus over and above the average profit in order to pay the landowner. This means that the market price of farm produce should exceed the price of production on the worst plot (production costs on the worst plot plus average profit). Where does that surplus come from?

The point is that the technical level in agriculture is lower than in industry, so that the organic composition of capital in it is also lower. That is why a certain amount of capital in agriculture sets in motion relatively

more wage-labour than it does on average in industry and, consequently, more surplus-value is produced. Private property in land prevents a redistribution of surplus-value between industrialists and agricultural capitalists. So, the landowner appropriates this part of surplus-value, which takes the form of *absolute rent*.

In contrast to differential rent, absolute rent is connected with private property in land. It makes farm produce more expensive, so lowering the people's living standards. Ground-rent is a tribute which the society is obliged to pay to the parasitic class of landowners. Higher rents increase the price of land and divert capital from productive investment, slow down the development of the productive forces in town and country. With the development of capitalism, the working people have to shoulder an ever greater burden of rent.

## The Crisis Economy

In the capitalist society, all functioning capitals in their totality, interconnection and interdependence form the *social capital*. If there is to be expanded reproduction of that social capital, all capitalists should have an opportunity to sell the commodities produced at their enterprises: means of production and articles

of consumption. They should also be able to buy the necessary capital goods to replace those which have been used up. Workers should be able to buy the consumer goods they need to reproduce their labour-power, and the capitalists, consumer goods and luxuries. In selling their commodities, the capitalists should also recoup their production costs and receive a profit.

In the reproduction of the social capital, the main problem is that of realising the social product in kind and in value. In short, the problem is how to find on the market that part of the product which can replace each part of the social product in its physical form (means of production and articles of consumption) and in its value form (constant capital— $c$ , variable capital— $v$ , surplus-value— $s$ ). As Marx showed in his schemes of reproduction (*Capital*, volume II), the smooth reproduction of the social product requires conditions in which definite proportions could be maintained between the production of means of production and the production of articles of consumption (or departments I and II of social production), and also between constant capital, variable capital and surplus-value, etc.

In capitalist reality, however, these conditions and proportions are constantly disrupted. That is only natural in a society where separate

private producers work for an uncertain market. Each capitalist in his activities is independent of other capitalists and is motivated by his own selfish interests. At the same time, all the capitalists are closely tied in with one another by the social division of labour, and depend on one another. That contradiction manifests itself in the realisation of the social product, exerting a strong influence on the whole course of the reproduction of the social product. The haphazard development of profit-oriented capitalist production keeps disrupting the course of realisation, and inevitably leads to upheavals and *periodical economic crises of overproduction*, to an aggravation of all contradictions. Crises arose together with big capitalist industry. The first economic crisis broke out in England in 1825, when it was the industrial workshop of the world. The first world crisis took place in 1847-1848, when capitalism had already taken shape in a number of countries and a world capitalist market had been formed. In 1873, the world was the scene of the deepest crisis in the history of premonopoly capitalism, which did a great deal to promote the concentration of production and the formation of monopolies. The crisis of 1900-1903 was the first crisis of the imperialist period. The deepest and gravest crisis, known as the Great Depression, rocked the



whole capitalist world in 1929-1932. In the past decade, the cyclical recessions in production have become much deeper. In duration and intensity, the crises of 1973-1975 and of 1980-1982 were the most serious crises of the postwar period. They led to an absolute decline in production, in spite of the recent assertions of many bourgeois economists that crises were a thing of the past and there were only periodical declines in production growth rates.

At the time of an economic crisis, as Engels put it, capitalist production is derailed. The first signs of the impending crisis usually appear in the sphere of circulation, in a disruption of money circulation and credit. Many firms and banks, including big ones, go bankrupt. Panic spreads among the industrialists, traders, bankers and brokers. All are badly in need of money capital. Creditors demand repayment of debts, and depositors storm the banks in order to withdraw their savings. The markets overflow with goods which cannot be sold. Many enterprises, especially the smaller ones, are closed down. The army of unemployed swells, and wages are reduced. Although prices decline, effective demand does not increase, and the mass of commodities is not reduced. It is especially difficult to dispose of the excessive stocks of commodities in the present capitalist conditions of spiralling inflation, militarisation

of the economy, and the growing budget deficit in the USA and other developed capitalist countries.

To find a way out of the crisis, the capitalists try to get rid of their "excessive" stocks of commodities and to raise prices. Apart from reducing the volume of production, they also destroy immense quantities of goods, burning up wheat and maize in furnaces instead of coal, throwing out coffee and cocoa into the sea, destroying cattle and poultry, fruits, wine and other valuable foodstuffs. Hence the question: is it true that "too many" goods are actually produced?

Of course, not. The working people's need for vital consumer goods is immense, especially in the less developed countries, where hundreds of millions of people are homeless and suffer from hunger and malnutrition. The overproduction of commodities has a distinctly relative character. "Too many" of them are produced not in relation to the people's actual requirements, but in relation to their effective demand. So, the surplus is a source of want and privations for the masses. Such are the paradoxes of capitalist reality.

Capitalism has greatly developed the productive forces and raised labour productivity. Under capitalism, the social nature of large-scale machine production intensifies, enterprises reach

a gigantic scale, and the social division of labour between them deepens. As a result, hundreds of thousands or even millions of people are closely interconnected in one and the same production process. But the product of that social production is not put at the disposal of the society and its members, but is appropriated by private owners, by the capitalists.

Such is the *basic contradiction of capitalism*—the contradiction between the social character of production and the private capitalist form of the appropriation of the products of labour. That contradiction is the root cause of the *economic crises of overproduction*, and engenders underconsumption among the masses.

Economic crises dislocate the capitalist economy and mean more unemployment, suffering and poverty for the working people. They demonstrate the anarchic and rapacious character of capitalism, which destroys the fruits of the labour of millions of people and squanders human labour-power. They show that the productive forces are cramped by the capitalist relations of production, which are no longer a form of their development but a fetter.

Economic crises of overproduction affect not only industry, but agriculture as well. Such *agrarian crises* primarily manifest themselves in a relative overproduction of farm produce, with a decline in prices, shrinking volumes of pro-

duction, and sharper competition. The biggest farms, which use modern agrotechnology, tend to survive, while small and medium farms run into debt and many of them are ruined. That is a sign of latent agrarian over-population, which reaches a particularly large scale in the developing countries.

One of the features of agrarian crises is their duration, their protracted nature. Thus, the first agrarian crisis started in the first half of the 1870s and lasted up to the second half of the 1890s, and the next one, from 1920 to the Second World War. A new agrarian crisis started in 1948 and lasted until the early 1970s, intertwining with industrial, financial and other crises.

The main cause of agrarian crises lies in monopoly private property in land and growing ground-rent, which makes farm produce more expensive and harder to realise. The high level of ground-rent and the growing price of land divert large quantities of capital from productive use in agriculture. That hinders a renewal of fixed capital, an increase in labour productivity, and a lowering of the value of farm produce, something that would promote its faster realisation. In view of all that, even in the conditions of a crisis price slump, unrealised stocks of farm produce tend to shrink much slower than in industry, and sometimes

even increase. Naturally, the overproduction of farm produce is not absolute, but relative, for great masses of people, especially in the developing countries, suffer from hunger and malnutrition.

## Monopoly Domination

Present-day capitalism is marked by monopoly domination. Big monopolies and financial groups predominate in any developed capitalist country. When and how did the transition to monopoly domination occur?

Monopolies emerged on the basis of the concentration of production connected with the development of the productive forces. The final third of the 19th century was marked by major scientific discoveries and technical achievements in metallurgy, engineering, the chemical industry, electrical engineering, ship building, and other industries. Highly productive machines came to be used on a wide scale, fundamental changes were effected in technology and the organisation of production, and new industries emerged. All these progressive changes were primarily attained at big enterprises, which could make efficient use of these, so reducing the value of their commodities and winning out in the competitive

struggle. Production increasingly concentrated at a few large enterprises, which monopolised it. So, free competition was superseded by monopoly rule.

The transition to monopoly capitalism, or *imperialism*, in the late 19th and early 20th centuries was a logical result of the development and continuation of the main properties of capitalism, the concentration and centralisation of production and capital. The way for that transition was paved by the whole course of the development of capitalism, its productive forces and relations of production. Lenin made a deep and allround analysis of the essence and features of imperialism in his *Imperialism, the Highest Stage of Capitalism*, which was a direct continuation of Marx's *Capital*, and in some of his other works.

So what are monopolies? *Monopolies* are big enterprises, firms or associations which concentrate in their hands a sizeable part of production and marketing, which ensures their predominance in one or several industries and enables them to receive monopoly-high profits.

Monopolies exist in every sector of the economy. Their forms differ and include cartels, syndicates, trusts and concerns. The past decades saw the rise of giant multi-industry monopoly corporations known as conglomerates. In these supermonopolies, one financial group

controls diverse industries and spheres, ranging from steel and armaments to gambling houses. As a result, they have a better opportunity to manipulate their capital during crises, make faster use of scientific and technical achievements, and outperform their competitors in the conditions of rapidly changing demand.

Super-monopolies predominate in the USA, West Germany, Britain and other developed capitalist countries, controlling a sizeable share of production in the country. In the early 20th century, there was only one giant monopoly in the world with a capital of \$1 billion, in the early 1950s there were four such monopolies, and in 1979 the figure was already 629. In 1978, these giant corporations commanded 50 per cent of the total capital and 59 per cent of the profits of all corporations.

While being a direct antithesis of free competition, monopoly does not rule it out altogether, but only changes the forms and methods of the competitive struggle. There is fierce competition between the monopolies of one and the same industry, between the monopolies of different industries, between the monopolies and non-monopolised enterprises (outsiders), and also within the monopolies themselves. Monopoly rule engenders new forms and methods of competition which were not characteristic of free-competition capitalism. These

include outright violence, bribery, espionage and various financial manipulations. Fires, explosions and other "accidents" are staged at rival enterprises, thug attacks are organised, and other dirty tricks are used in that destructive and brutal war of all against all, in which the stronger rival strangulates the weaker one.

*Monopoly prices* are a powerful weapon of competition in the hands of the monopolies enabling them to extract superprofits. Before imperialism came on the scene, as we saw earlier, commodities were sold at the prices of production (cost-price plus average profit), and in the condition of monopoly domination most commodities are sold at high, monopoly prices, which yield monopoly superprofits.

The monopolies extract huge profits by intensifying the exploitation of the proletariat. Through the mechanism of monopoly prices they appropriate a part of the surplus-value produced at non-monopolised enterprises. They also appropriate a part of the surplus-product of the small producers (farmers), buying up their farm produce at monopoly-low prices and selling them manufactures at monopoly-high prices. Nonequivalent exchange with the newly free and dependent countries is a major source of monopoly superprofits. The monopolies export their commodities to these



countries at monopoly-high prices, and import raw materials at low prices. All that leads to a further worsening of the working people's condition in town and country both in the developed capitalist states and in the developing world.

The concentration of production has been paralleled by a concentration of banking capital. Banking monopolies first emerged and asserted their predominance in the sphere of credit in the early 20th century. The emergence of banking monopolies, or giant banks, altered the role of banks and their relations with industrial monopolies. Once modest intermediaries, they turned into omnipotent monopolists, concentrating in their hands the bulk of the society's money resources. They no longer confined themselves to giving credit to industrial monopolies, but became their co-owners. The industrial monopolies, for their part, tended to become co-owners of banking monopolies. Hence the interpenetration, the coalescence of the capitals of industrial and banking monopolies, and the emergence of a new type of capital—*finance capital*—which now predominates in the economic and political life of the capitalist society. The formation of finance capital is one of the specific features of imperialism, which is otherwise known as the epoch of finance capital.

With the development of finance capital, a handful of financial magnates gain predominance in the economy and politics of the capitalist countries. Their power in the society is represented by a *financial oligarchy* (in Greek, oligarchy means "the power of a few"). In the USA, for instance, there are from 20 to 25 financial groups, in Britain, from 10 to 15 groups, and in the FRG and Japan, from 5 to 10 groups.

The rule of the financial oligarchy is exercised in various forms, primarily through the "shareholding system". Joint-stock companies are the most widespread form of organising large enterprises in the capitalist countries. Its capital derives from the sale of stocks and shares. Although nominally every shareholder has voting power, full control over the company's activity is in effect exercised by the biggest shareholders. When the shares are dispersed among many shareholders, such control can be exercised with no more than 15-20 per cent or even 5-10 per cent of the total number of shares, called *the controlling interest*. Through several generations of its affiliates, the holding company can control a huge social capital which far exceeds its own capital and so extract monopoly superprofits.

The "personal union" is an important form through which the financial oligarchy exercises

its rule. It means that industrial, banking and trading monopolies are headed by the very same individuals: the magnates of finance capital or their henchmen. In addition, they have a personal union with the government. The rule of the financial oligarchy is closely tied in with the system of *state-monopoly-capitalism*, which is a conjunction of the power of the capitalist monopolies with the power of the bourgeois state. The state controls a sizeable part of the means of production and the national wealth. In the 1970s, the share of state property in the total capital stock in industry and agriculture was estimated at 18 per cent in West Germany, 24 per cent in Britain, 28 per cent in Italy, and 34 per cent in France. In the USA, federal property constitutes no less than 20 per cent of the country's national wealth. The state ("public") sector primarily includes industries connected with arms manufacturing, and also with the infrastructure, that is, branches servicing the requirements of the whole economy (transport, the power industry, communications, etc.). In many countries, the state also makes considerable investments in science.

The bourgeois state takes steps to ensure a market for the monopolies, especially by awarding huge military contracts to the enterprises of the *military-industrial complex*, and

provides diplomatic backing for the expansionist aspirations of the monopolies, notably, for their policy of neocolonialism and economic redivision of the world, and their struggle against the socialist countries. With these aims in view, bourgeois governments join the monopolies in setting up aggressive blocs and signing agreements with reactionary regimes. In the interests of finance capital, the state regulates the economy by distributing and redistributing the national income through the state budget, and follows a prices and wages policy which suits the monopolies.

In the past decade, right-wing militarist and revanchist forces of the monopoly bourgeoisie have assumed political power in the USA, Britain, the FRG, and Japan. The growing might of the military-industrial complex and the transnational monopolies provides an economic basis for the militarist and reactionary policy of US imperialism and NATO. The internationalisation of the military-industrial complex has led to the interpenetration of the capital of arms manufacturers in different countries, to their broader cooperation in the development and manufacture of the latest lethal weapons, and to a division of the markets between the death merchants.

The growth of state-monopoly capitalism, which is the main obstacle in the way of

mankind's progress, has exposed it as an anti-popular system incompatible with the vital needs and interests of the working masses. The skyrocketing military spending diverts resources from productive use, hinders the application of scientific and technical achievements, slows down the pace of economic growth, and leads to mass unemployment and to a decline in the working people's real incomes. Drastic cuts are made in outlays for social purposes, which serves to increase poverty and hunger among broad sections of the people. In these conditions, the bourgeois state expresses the will of the monopolies and takes tough measures to suppress the mass discontent, the working-class and antiwar movement, trampling on the norms of much-vaunted bourgeois democracy, tightening control over people's minds, and spreading the cult of violence and racism, chauvinism and warmongering.

### Foreign Expansion by the Monopolies

*Export of capital* is a powerful instrument enabling the monopolies to increase their super-profits. In contrast to premonopoly capitalism, which was characterised by an export of commodities, the epoch of imperialism is marked by an export of capital. Under monopoly cap-

italism, capital accumulation has reached a vast scale, resulting in "surplus" capital. Of course, it is excessive not in absolute terms, but only from the standpoint of limited opportunities for its profitable investment by the monopolies. If capital could be invested to develop agriculture or raise the masses' living standards, there would have been no surplus of capital. But then capitalism would not have been capitalism.

Capital is exported in two main forms: entrepreneur's and loan. In the first case, enterprises are set up in other countries, and the exporter receives profit of enterprise, which springs from the surplus-value created by the workers of the host country. Loan capital is exported in the form of loans and bears interest.

Capital was initially exported to backward countries, where wages are low, raw materials are cheap, and the rate of profit is consequently high. Bourgeois researchers claim that export of capital is beneficial for the poor and backward countries, for they are enabled to make investments in industry, to build railroads and cities. In actual fact, capital-importing countries fall into dependence on the imperialist state, turning into its agrarian and raw-material appendages. By exporting capital, the monopolies gain command of raw-material

sources and markets, draw the capital-importing countries into fettering transactions, especially into purchases of military hardware tied to obligations entailing establishment of military bases in these countries.

With the expansion of capital exports, a handful of rich countries turn into usurers, into rentier countries. The export of capital from these countries is connected with a certain degree of stagnation in production, and also with elements of parasitism and decay. The returns on the exported capital in the form of superprofits or interest drawn from foreign enterprises are a major source of enrichment for the monopolies of the imperialist countries.

In our day, the export of capital has acquired some specific features. More capital is being exported to industrially developed capitalist countries, European countries above all. Another important feature is that the volume and share of the export of state capital have increased. In exporting capital, the governments of the imperialist countries primarily aim at strengthening the regimes that suit them and at establishing military-monopoly blocs directed against the socialist countries and national liberation movements. Another important point is that state export of capital yields high profits and expands the opportuni-

ties for the export of private capital and commodities.

The formation and activity of *international monopolies* and the *economic redivision of the world between alliances of capitalists* are closely connected with the export of capital. It is precisely through the export of capital, which involves the formation of monopoly affiliates, subsidiaries and other enterprises abroad, that the monopolies penetrate into other countries and reach out to the world market. Having gained command of the domestic market, the giant monopolies turn to the world capitalist market. The scale of their production far surpasses the capacity of the domestic market, and the biggest of them are so large as to concentrate in their hands a sizeable share of the world output of some commodities. In their drive for superprofits, the monopolies reach agreement among themselves on a division of the world market. Lenin described that stage of the global concentration of production and capital as supermonopoly. With the development of such monopolies, the economic division of the world becomes a reality.

International monopolies first emerged in the period from the 1860s to the 1880s, but at the end of the 19th century their total number was still under 40. In our day, their most wide-spread form is the transnational mo-



nopoly, that is, a monopoly which is national in terms of capital and control but international in its activity. According to UN data, there were 7,300 international monopolies in the early 1980s, each of which had affiliates in 20 or more countries. These monopolies control three-fifth of the capitalist world's trade. The annual turnover of the largest transnationals exceeds the gross national product of many capitalist countries.

Since the late 1960s, there has also been rapid development of transnational banks, which include the biggest US, West European, Japanese and other banks. International industrial and banking monopolies tend to coalesce, forming transnational groups of finance capital and a transnational financial oligarchy. There have been more and more international agreements on the division of world markets among the imperialist states, which gave rise to such interstate monopoly alliances as the European Economic Community (EEC).

The advocates of capitalism try to present the international monopolies as a major instrument for the peaceful resolution of capitalism's economic contradictions. Thus, according to the theory of "ultra-imperialism" formulated by Karl Kautsky, a leader of the Second International, imperialism should evolve into "ultra-imperialism", under which a single "world

trust" will be established, the division of world markets will be completed, and the inter-imperialist contradictions will subside.

Such theories are refuted by life itself. Historical experience shows that the nature of imperialism remains the same. There is no and can never be any peaceful capitalism, for its intrinsic ideology is social revanchism directed against existing socialism, against the working class in the capitalist countries themselves, and against the newly free states. Inter-imperialist contradictions cannot subside in view of capitalism's uneven economic and political development, which periodically leads to new redivisions of raw-material sources, spheres of capital investment and markets in accordance with the changing balance of forces among the monopolies. Such redivisions involve a fierce struggle between various transnational groups of finance capital and the imperialist powers that support them. International agreements among the monopolists are shortlived and contain the germ of sharp conflict and clashes.

As they penetrate into the economy of the newly free countries, the transnationals seek to perpetuate their economic backwardness. That widens the gap in the development of the productive forces between these countries and the industrialised capitalist countries, and their financial indebtedness to the West has rapid-

ly increased to exceed \$800 billion in 1983. Many developing countries are obliged to give away up to 90 per cent (or even 100 per cent) of the new credits they receive from the West only to pay out the interest on old loans.

### The Collapse of the Colonial System

In the late 19th century, the imperialist powers built up their colonial empires, and virtually the whole of Africa, a large part of Asia, and a number of Latin American countries fell victim to monopoly capital. Never fastidious in their choice of means, the imperialists laid their hands on raw material sources and free land. The so-called civilised world became a parasite feeding off hundreds of millions of people in the colonial and dependent countries. A regime of violence, plunder, unheard-of exploitation and racial discrimination was inflicted on the colonial peoples, a regime which plunged them into poverty and suffering.

But once the territorial division of the world had been completed, insatiable monopoly capital immediately got down to redividing it. The imperialist countries develop unevenly, and

the balance of forces between them keeps changing. That is why the struggle to recarve the already divided world became a distinctive feature of imperialism and eventually evolved into a struggle among the imperialist powers for world domination.

At the same time, a reverse process started and gained momentum across the world as the working masses of the colonial and dependent countries awakened to political life and launched a liberation struggle against imperialism. The victory of the socialist revolution in Russia marked a radical turning point in their history. Right after the revolution, the young Soviet state extended its all-out support to the peoples fighting for liberation from the colonial yoke, and imperialism could no longer have full sway in the world. And when socialism won out in a number of countries and a world socialist system took shape, *imperialism's colonial system collapsed* altogether. One nation after another rose up in struggle for national liberation, driving the imperialists off their soil and hoisting the flags of their own national states. Whereas in 1919 all the colonies and semi-colonies occupied 72 per cent of the Earth's territory and had almost 70 per cent of its population, in 1982 they accounted for 0.7 per cent of the territory and 0.3 per cent of the population.

But imperialism has been using the most cunning methods to retain the young national states within its orbit. With that aim in view, the imperialist powers have been following a policy of neocolonialism, seeking to perpetuate their influence and intensify the exploitation of the developing countries. Posing as "benefactors", the imperialist powers continue to bleed these countries white under the guise of "aid". The true worth of the much-vaunted "aid" is evident from the fact that it is closely tied in with imposing tough political and economic terms on the newly free countries. Neocolonialism has continued the line of the "old", unabashed colonialism aimed at extracting superprofits from the export of capital and at plundering the newly free countries through "terms of trade", or the difference between the monopoly-low prices of the raw materials exported by these countries and the monopoly-high prices of the manufactures imported by them.

The sum-total of the profits extracted by the monopolies of the imperialist powers from non-equivalent exchange, in the form of interest on invested capital and in other forms, exceeds the amount of "aid" many times over.

In the course of the developing countries' struggle for economic independence, the old colonial economic structure is being dismantled.

In place of imperialism-imposed monocultures, they are gradually diversifying their economies and beginning to specialise in the production and export of finished products. So, the collapse of the colonial system of imperialism entails a disintegration of the old forms of international capitalist division of labour.

That is a very complicated process, which involves many difficulties for the newly free countries, since foreign monopolies refuse to release their hold. These countries have to import not only manufactures, but many food-stuffs as well, often produced from raw materials they themselves export. Thus, countries exporting livestock have to buy condensed milk, and those growing sugar-cane, to import sugar. Even those which grow cacao-beans are obliged to buy expensive chocolate. Although the former colonial countries have more than one-half of the world's population, they account for only 7 per cent of world industrial output. Whereas the developed capitalist countries are the scene of the scientific and technical revolution, the newly free countries are going through the early stages of industrialisation. Their economic development is obstructed by the imperialist powers which seek to preserve the vestiges of feudal, tribal and other backward socio-economic structures in these countries.

For most newly free states, the central problem

of social development, alongside that of strengthening and defending political independence and national sovereignty, is how to overcome the economic backwardness, create an independent national economy, including their own industry, and raise the people's living standards. If these problems are to be solved, it is necessary, among other things, to put an end to foreign monopoly domination.

The nations are liberating themselves from colonial slavery in a hard and persevering struggle against imperialism. The imperialist powers, the USA above all, intervene in the internal affairs of developing states, even resorting to outright aggression. To carry on a successful struggle against neocolonialism and defeat it once and for all, it is not enough for individual countries to fight on their own, but all the anti-imperialist forces should join together in a common effort.

## The Eve of the Socialist Revolution

Imperialism is not only the highest, but also the final stage of capitalism. At this stage, the contradictions between the productive forces and the decayed capitalist integument have reached a point when mankind has

come to face the imperative task of unfettering them and using their immense power for the good and happiness of all the people on the planet.

As the economic basis of imperialism, the monopolies engender a tendency towards the decay of the productive forces. In the course of fierce competition they obstruct technical progress. Under their predominance, millions of working people—the chief productive force of the society—are ejected from the sphere of labour. Chronic unemployment, chronic recessions and crises in production, inflation—all these are symptoms of capitalism's terminal disease.

In the course of competition, the drive for profits and the arms race, science and technology have been developing in the capitalist countries. But such is the nature of capitalism that scientific and technical progress inevitably serves to aggravate its contradictions: mass unemployment grows and the gulf between the ever greater potentialities of production and the real consumption of the masses keeps widening. The development of diverse economic branches and whole states is ever more uneven, and the rivalry between the monopolies intensifies.

Capitalism cannot make full use of the achievements of the ongoing scientific and tech-



nical revolution, and obstructs the solution of the global problems facing mankind. The paramount global problem is to prevent a new world war and stop the arms race, which threatens the very existence of life on the Earth. The fact that capitalism is the source of a threat to the life of the present and future generations is, perhaps, the most indicative sign of its decay. A sizeable part of the gross national product of capitalist countries goes into armaments, instead of being used, say, to provide mankind with resources (energy, raw materials and food), to protect the environment, that is, to improve people's living conditions. None other than capitalism is to blame that roughly one billion dollars a day is wasted on arms production throughout the world, while almost one billion people suffer from hunger and malnutrition, and 40,000 children in the developing countries die of hunger and disease. Although the advocates of capitalism try to explain that by rapid population growth, the actual reason is quite different. For nearly a century in Africa, two centuries in Asia and three to four centuries in Latin America, the colonial countries were plundered of all their wealth, their most fertile lands were used to produce a single type of crop for the colonialists, and the obtained products were exported to the imperialist states.

That is why imperialism is decaying and parasitic capitalism. The wealth and luxury of the ruling classes stand out in glaring contrast against the background of hunger, poverty and ruthless exploitation of the masses.

Monopoly capitalism is marked by increasing political reaction in every sphere of social life. In the political sphere, the monopoly bourgeoisie seeks further to curtail the narrow civil rights of the working masses and suppresses the political rights of nations without much ado. The days when the bourgeoisie carried high the sacred banner of liberty are long past, and its false assertions about "defending human rights" can deceive no one. Modern history teems with the violent crimes of the imperialists and their mercenaries, who suppress any attempts on the part of the peoples to assert their rights. Wherever it can, imperialism installs and supports tyrannical regimes and practices which suit it most of all, ignoring the norms of international law and the will of the peoples.

The extreme aggravation of all the contradictions of capitalism, which marks its final, imperialist stage, shows the historical inevitability of its downfall and of a victory of the socialist revolution.

In these conditions, the monopoly bourgeoisie seeks to preserve its domination, resorting to

the threat of armed force in a bid to postpone socialism's victory. But that cannot save capitalism, which has no historical perspective. As Lenin put it, capitalism has been "sapped and undermined by history".<sup>1</sup>

Of course, that does not mean that capitalism will leave the historical arena of its own accord or will automatically collapse under the burden of its contradictions. The fetters of imperialism can only be thrown off through a selfless revolutionary struggle by the working masses, by all the exploited people under the leadership of the working class and its vanguard, the Marxist-Leninist parties.

Imperialism is the eve of the socialist revolution. It creates not only the material prerequisites for the new society which is to spring from its ruins, but also its own grave-digger: the revolutionary working class.

But it takes a long historical epoch for capitalism to wither away. It is an epoch of struggle between the two opposite social systems—socialism and capitalism—on a global scale. All the revolutionary forces of our day are involved in that struggle. First, it is existing socialism which has asserted itself in countries

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<sup>1</sup> V. I. Lenin, "War and Revolution", *Collected Works*, Vol. 24, 1974, p. 417.

where the socialist revolution has triumphed and which are a beacon for the whole of working mankind. Second, it is the national liberation movement of the oppressed peoples, under whose blows the colonial system of imperialism has collapsed. And third, it is the struggle of the working class and the other working masses in the capitalist countries.

The historical period of the revolutionary transition from capitalism to socialism is the period of the general crisis of the capitalist system.

The *general crisis of capitalism* is the epoch of the revolutionary overthrow of capitalism, the formation and development of the socialist system, and the struggle between the two systems, with imperialism growing ever weaker, an epoch of the erosion and disintegration of the world capitalist system, of a transition from capitalism to socialism on a global scale. It has several stages. The first stage of the general crisis of capitalism was ushered in by the First World War of 1914–1918 and the Great October Socialist Revolution in Russia in 1917, which opened the epoch of the socialist society and put an end to capitalism as a system embracing all the countries of the world. The second stage of the general crisis of capitalism started during and after the Second World War of 1939–1945, when the peoples of a num-

ber of European and Asian countries took the road of socialist construction as a result of socialist revolutions. Socialism became a world system, further narrowing the sphere of world capitalism. The crisis of the colonial system of imperialism was deepened and that system began to disintegrate.

The third stage of the general crisis of capitalism started in the late 1950s and continues to this very day. In contrast to the first and second stages of the general crisis of capitalism, the beginning of its third stage is not connected with wars. This shows yet again that there is no truth in the statements that the Marxists link the downfall of capitalism to wars. The main content, direction and specific features of mankind's historical development in our day are determined by the world socialist system, by the forces which are fighting against imperialism, for socio-economic and political progress. The Republic of Cuba and other countries have taken the road of socialist construction, breaking with capitalism and joining the world socialist system. The peoples' struggle has culminated in the final collapse of the colonial system of imperialism. Many young states of Asia, Africa and Latin America have thrown off the imperialist yoke and taken the road of independent development. Some of them have chosen the road of noncapitalist develop-

ment, of the socialist orientation. Imperialism has lost its erstwhile domination in the world once and for all. The general crisis of capitalism continues to deepen, the capitalist economy is ever more unstable, state-monopoly capitalism leads to an aggravation of all the contradictions of the capitalist system and to an upsurge in the anti-imperialist struggle against exploitation and monopoly rule, for peace, democracy and socialism.

The exploiter classes have always been afraid of revolutions. The monopoly bourgeoisie is no exception, brandishing nuclear weapons in a fit of war hysteria. But the historical dispute between socialism and capitalism cannot be resolved by armed force, as those imperialist aggressors who sought to strangle the socialist revolution and destroy socialism have repeatedly seen for themselves. Such "crusades" against socialism are doomed to fail. A pledge of that is the invincible might of the socialist community led by the Soviet Union, the peaceful foreign policy of the USSR and other socialist states, and the peoples' drive for peace.

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Chapter  
Nine

PLANNED-BASED BUILDING  
OF THE SOCIETY:  
EVERYTHING  
FOR THE SAKE  
OF MAN

**I**n this chapter, we shall consider a totally new stage in the development of political economy, its new section dealing with the economic system of existing socialism and future communism. In historical terms, the socialist society is still very young. It emerged a little over half a century ago, but has been developing and strengthening in its dynamic advance. Every step forward means new experience and, consequently, greater knowledge about the ways of its development. That experience is particularly valuable because the various countries took the

road of socialist transformations at different stages of economic and social development.

## Existing Socialism

Even when the first cornerstone of the edifice of socialism was being laid, the Soviet people looked forward to the days when it would rise as a shining beacon of hope for all the oppressed and enslaved peoples. As they built that edifice according to plan, they were aware that realisation of their dream conformed to the laws of history, the laws of social progress.

Of course, there are still people in the world who refuse to recognise that. They even assert in defiance of historical facts that socialism is a figment of Marxist imagination, that it has nothing to do with reality, and that people should not pin their hopes on it.

These assertions are refuted by reality itself, by the *existing socialist society*, where:

- class and national oppression has been totally eradicated;
- unemployment, hunger, poverty, illiteracy and uncertainty in the future have been eliminated once and for all;
- every citizen has a guaranteed right to work,



rest, education, health care, abode, and security in old age;

- material standards are steadily rising, and everyone has free access to knowledge, to the values of world and national culture;

- every citizen has a real right to take part in discussing and solving any problems in the life of the enterprise, region, republic and the whole country;

- a policy is pursued whose purpose is to strengthen peace throughout the world, and that policy is enshrined in the Constitution.

Such is existing socialism, such is its reality.

One can, of course, find shortcomings and unresolved problems in that reality. But just as a dark spot on a light-coloured cloth is no indication of its true colour, the shortcomings in the functioning of the socialist system cannot obscure its essence and its undeniable advantages over capitalism.

For the Soviet people, just as for all those who have risen up in conscious struggle for a radiant future, that future means a communist perspective. Socialism is only the first stage in the development of the communist civilisation, whose triumph will not be accidental or inexplicable, but will result from conscious and purposeful human activity.

A knowledge of the economic laws governing the development of the socialist economy

will be a compass in that activity. Such a knowledge is to be gained from the political economy of socialism.

The economy of any country building the new society—big or small, relatively backward in economic terms or one that has reached a certain degree of industrial maturity—is governed by economic laws which are common to all. Naturally, one should bear in mind the often significant socio-economic distinctions which are due to the peculiarities of each country's history, its natural, climatic and other conditions. But in spite of all that diversity there are general, fundamental uniformities of the society's movement towards socialism. The adversaries of existing socialism put forward various "models" of socialism which sharply differ from each other and which are alleged to be suitable for this or that particular country.

In actual fact, the authors of these "different models" are trying to pull the socialist countries back to old, presocialist, practices. Some of them have come up with "socialism with a human face", which in effect turns out to be nothing but capitalism covered up with false slogans of freedom and democracy. Others have advanced the thesis of "market socialism", where economic life should be regulated by the market instead of planned management, a model which also amounts

to a revival of the capitalist order with all its evils and hardships for the working masses.

The true goal of the prophets of all such "models" of socialism is to undermine existing socialism, to distort its meaning and essence. Models are also being designed of so-called African-type socialism, whose authors cannot even explain its essential distinctions from models of, say, "Arab" socialism. Indeed, differences in forms of government or religious beliefs do not cancel the main questions tackled by the socialist revolution: the take-over of political power by the working people and establishment of social ownership. That is confirmed by the experience of socialism-oriented developing countries. Transition of power to the people, establishment of state property in the means of production, and development of cooperative elements in agriculture—all that marks the socialist road of development, although each country advances along that road at its own pace and with its own methods, facing its own difficulties and contradictions. In their economic policy, these countries increasingly rely on the laws discovered by the political economy of socialism, whose conclusions have been validated in the socialist world.

## The Period of Transition to the New Type of Society

Socialism cannot emerge within the framework of capitalist relations. It is only the material prerequisites and the force capable of crushing that exploiter system that take shape under capitalism. That force is the working class, which stands at the head of all the working people and carries out a revolution opening the road to socialist construction. The material prerequisites for socialism also mature within the entrails of the capitalist system: large-scale machine production in all branches of the economy, i.e., the productive forces which can be used in the country's economic development.

In certain economic conditions, some countries can also go over to socialist transformations without passing through the capitalist stage of development. That is historically possible when these countries can rely on the support of the countries of triumphant socialism to win political and economic independence.

Socialism, however, can never emerge in a ready-made form. It takes a more or less protracted historical period to overcome, mostly in the course of an intensive class struggle, the vestiges of the old system and to

lay the foundations of the new, socialist society. That period is called the *period of transition from capitalism to socialism*. It begins with the establishment of the political power of the working people, who take into their own hands that which has been created by their own labour and which belongs to them by right. There is no truth in the ill-intentioned claims of the enemies of socialism that socialism begins with plunder, for the elimination of big capitalist private property is a just move, which Marx expressed in his famous formula: "expropriation of the expropriators". The peoples of the newly free countries do not have to be persuaded that the economic domination of the exploiters, foreign capital above all, is based on plunder and violence, on the sweat and blood of those who are the only true creators of all wealth. They know that from their own historical experience.

Having concentrated political power in its own hands and gained the commanding heights in the economy, the working class gets down to socialist transformations, leading forward all the other working people. The economy in that transition period is multisectoral, with three main economic sectors: the growing socialist sector, represented by the working class; the petty-commodity sector, represented by peasants, handicraftsmen, artisans and other

small producers who do not use wage-labour; and the private-capitalist sector, represented by capitalist enterprises in town and country which use wage-labour. There can also be other sectors, like a patriarchal one, if tribal or feudal relations still exist in the country, or a state-capitalist one, which is used by the state to pave the way for socialist socialisation.

In the course of socialist construction, economic measures are taken to overcome the multisectoral structure so that socialist relations of production would eventually triumph on the scale of the whole country.

The rise and development of *socialism-oriented countries* on the ruins of the colonial system of imperialism has yielded new historical experience, which has enriched the theory and practice of socialist construction. As they advance towards socialism, some of them are now at the stage of national-democratic revolution, and others have reached a higher stage of social development, when the revolutionary transformations have spread to virtually every sphere of social life.

In these countries, an offensive is being waged against the positions of the imperialist monopolies, the local big bourgeoisie and the feudal lords; the state has been developing the state sector in the economy, exercising tight control over the activity of foreign capi-

tal, introducing elements of planning, carrying out agrarian reforms, encouraging the cooperative movement in the countryside, and effecting other progressive transformations in the interests of the working people. The pace and depth of these socio-economic transformations differ from one country to another, but the main lines of their development are similar. All of them are at the noncapitalist stage of development, seeking to create the ideological, political, economic and social prerequisites for building the foundations of the socialist society.

One of the major specific features of the transition period is an intensification of the class struggle. It tends to intensify as the deepening socio-political and economic transformations increasingly limit the privileges of the exploiter classes and infringe upon their interests. The resistance of the internal reactionaries is vigorously supported from outside by the imperialist and neocolonialist forces, which strive to bring these countries back to the road of capitalist development.

These attempts are thwarted by the growing cohesion of the working class and the toiling peasantry, which make up the bulk of the population and are interested in eliminating exploitation, establishing genuine democracy, and creating prerequisites for a transition to

socialist construction. Countries led by vanguard working people's parties which take the Marxist-Leninist stand have made the greatest progress along that way.

### The Key to Building a Socialist Economy

The first task facing the countries with a backward, agrarian economy which have embarked on socialist transformations is to build up a large-scale machine industry capable of reorganising agriculture as well. And those countries which have already passed the stage of industrialisation must eliminate the incongruities in the economy caused by capitalist development: the lop-sided emphasis on some branches to the detriment of others, the absence of mechanisation in a number of branches, etc. It is usually necessary to redepoly the various industries in a more rational way and to restructure many lines of production on the basis of modern machinery.

The experience of the USSR and other socialist countries has borne out the Marxist-Leninist proposition that the character and peculiarities of industrialisation depend on the socio-economic conditions in which it is effected, primarily on the predominant form of



property in the means of production. *Socialist industrialisation*, carried out on the basis of social property in the means of production, is essentially different from capitalist industrialisation in character, pace and scale, sources of funds and socio-economic consequences.

*Capitalist industrialisation* is governed by the haphazardly operating laws intrinsic to the bourgeois economy. Hence the cyclical nature of production, which entails relatively low rates of economic development. In most bourgeois countries, industrialisation took from 100 to 200 years. In the USSR, it was, in the main, completed in 10–12 years, demonstrating the advantages of the socialist economy.

Industrialisation in the USSR had its peculiarities which stemmed from the fact that it was the only socialist country in the world and was surrounded by hostile capitalist states. The USSR started its industrialisation from a low level of economic development, with the economy ravaged by the imperialist and civil wars. Elimination of the country's age-old backwardness and establishment of an integral socialist economic system—these vitally important tasks could only be fulfilled through a high rate of industrialisation. The rate problem was particularly imperative because the backward economy mostly consisted of millions of small peasant farms, which provid-

ed an economic basis for a revival of capitalism. The capitalist surrounding, whose purpose was to weaken and destroy the gains of the socialist revolution, also made it necessary to industrialise the country as fast as possible. That called for an all-out effort, for a mobilisation of all the internal resources of the national economy.

The USSR could never have become a mighty industrial power, an outpost of socialism confronting a hostile capitalist world, if the Soviet people had not displayed the greatest consciousness, organisation and courage in those difficult years. That was a time when even the bare necessities were often in short supply. But all the difficulties were overcome by the masses inspired by the programme of socialist construction.

By 1937, that is, within 10 to 12 years after the start of the industrialisation drive, the Soviet Union had risen in volume of industrial production to first place in Europe and second in the world, surpassing such industrial countries as Britain, France and Germany. In 1917, the country's share of world industrial output was under 3 per cent, and in 1937 it was up to about 10 per cent.

In contrast to capitalist, socialist industrialisation results in a direct improvement of the material and cultural standards of the working

masses. It enabled the Soviet Union once and for all to free the working people from unemployment, that inevitable evil of industrial development in the bourgeois countries. As a result of industrial growth, the working people's incomes increased in proportion to the growth of labour productivity.

Industrialisation created the necessary material basis for strengthening the country's economic independence, for a technical reconstruction of all the branches of the national economy, and for a transfer of agriculture to new, socialist lines. It strengthened social property in the crucial sphere of the economy, helped to squeeze out the capitalist elements in the towns, ensured the triumph of the socialist sector in industry and the growth of the working class, did much to enhance its leading role in the society, and consolidated the Soviet Union's economic and defence might.

Industrialisation played an immense role in the destiny of the Soviet country. The successful development of the socialist economy was one of the decisive factors in the Soviet people's victory in the Great Patriotic War against the fascist invaders in 1941–1945. After the war, the growth and development of socialist industry have further strengthened the Soviet Union's economic might and defence

capability.

Socialist industrialisation in the USSR was of great international importance. It showed the whole world the advantages of the socialist economy and enriched mankind with the first-ever experience of socialist reconstruction of the economy. With a view to the specifics of each country, that experience has been creatively used by other countries which are carrying out socialist transformations.

### **Economic Foundations of the Peoples' Equality**

One of the noteworthy results of socialist industrialisation in the USSR was the formation of a modern industry in all the national republics and regions of the country, which was of crucial importance for eliminating their economic inequality. On that basis, many economically and culturally backward peoples of Central Asia, Siberia, the Far East and other areas where precapitalist relations had been predominant in the days of tsarist Russia, went over to socialism bypassing the capitalist stage of development.

The whole world is now aware of the Soviet people's successes in overcoming the historically inherited gaps between the economic

and social development of various republics and regions, primarily in eliminating the backwardness of the former colonial and semi-colonial outskirts of tsarist Russia. To overcome that backwardness, many republics have had to compress centuries into decades. In our day, all of them have a highly developed industrial-agrarian economy. Economic levels were evened out because the development of the lagging republics far outpaced the growth of the whole Soviet economy. From 1922 to 1982, the volume of industrial production in the USSR as a whole multiplied 537-fold, whereas the figure was 938-fold for the Kazakh SSR, 898-fold for the Tajik SSR, and 712-fold for the Kirghiz SSR. Advanced Eastern republics have arisen in areas where at the time of the revolution the tribal system was still very much alive, where ignorance reigned supreme, and where age-old culture had been trampled down by tsarism.

In a historically short period, the former national outskirts have risen to the very heights of social and cultural development. Before the revolution, literacy among the population of Central Asia and Kazakhstan in the 9 to 49 age bracket did not exceed 2-8 per cent. These regions did not have a single institution of higher learning. In our day, the republics of Central Asia and Kazakhstan have 126 such

institutions, with 705,000 students. The share of students in the population of these republics is higher than in many developed capitalist countries. Thus, the Uzbek SSR and the Kazakh SSR have more students per head of population than Italy, Canada, the FRG, France and Japan.

With the attainment of factual equality by all the Soviet nations and nationalities and with the steady growth of the socialist economy, an integral national-economic complex has taken shape in the USSR. It provides the economic basis for the formation of a new historical entity: the Soviet people. The experience of existing socialism shows that a real and radical solution of the national problem is only possible through a revolutionary renewal of social life.

## Disinterested Assistance

In the old days, capitalist industrialisation was confined to a handful of countries, which came to regard a sizeable part of the Earth's territory as the periphery of the capitalist world, a "tributary of the capitalist civilisation". With the collapse of the colonial system of imperialism, many newly free countries have come to face the task of overcoming their economic backwardness and creating an

independent economy. This task is to be resolved along the lines of industrialisation, in which they rely on the experience and assistance of the Soviet Union and other socialist countries.

Even before the Great October Socialist Revolution, Lenin wrote that after the victory of the revolution the triumphant people would do their utmost to draw closer to the Eastern nations: "We shall endeavour to render these nations, more backward and oppressed than we are, 'disinterested cultural assistance'... In other words, we will help them pass to the use of machinery, to the lightening of labour, to democracy, to socialism."<sup>1</sup> He explained that socialist construction in the Soviet Union is of great importance for these peoples, which are "destined to follow us on to the stage of history in the near future... The morrow of world history will be a day when the awakening peoples oppressed by imperialism are finally aroused and the decisive long and hard struggle for their liberation begins."<sup>2</sup>

Over the past few decades, Lenin's scientific prediction has come true: the colonial system of imperialism has collapsed and, in

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<sup>1</sup> V. I. Lenin, "A Caricature of Marxism and Imperialist Economism", *Collected Works*, Vol. 23, 1974, p. 67.

<sup>2</sup> V. I. Lenin, "The Question of Nationalities and 'Autonomisation'", Vol. 36, 1971, pp. 610, 611.

spite of all the attempts by the imperialists to resort to new methods of colonialism, the world-historical process of liberation is irreversible. Various specific forms of social development have emerged in the newly free countries, and the roads they have taken are fairly diverse. Some of them have chosen the revolutionary-democratic way, while in others capitalist relations have taken hold. Some countries pursue an independent policy, while others follow in the wake of imperialist policy. The latter suits the imperialists, whereas stronger independence of the newly free countries does not suit them at all. As for the Soviet Union and the other socialist community countries, they have followed a consistent line to strengthen the alliance with the national liberation movement and develop mutually advantageous cooperation with the newly free countries.

Many developing countries have yet to root out the grave aftermath of colonialism, and remain agrarian and raw material appendages of the imperialist powers. The outflow of capital from the developing countries owing to their continued economic dependence on the imperialist powers is estimated at \$120-\$130 billion a year. Clearly, such plunder is bound to slow down economic development and social progress in the newly free states. The old, inequitable system of relations based



on plunder and exploitation should be replaced with a new system based on equality and mutual advantage. The developing countries have been advocating such a new international economic order, and the USSR and other socialist community countries support them in their endeavour.

The mutually advantageous economic cooperation between the socialist and developing countries, which has become a significant fact in the development of world economic ties, is a real embodiment of such a system of relations based on equality and mutual advantage. Such cooperation is primarily carried on through balanced foreign-trade ties. The USSR and other socialist countries supply the newly free states with the goods they need to boost their economy and improve its structure. Since the mid-1960s, the CMEA countries have introduced duty-free imports of goods from the developing countries, so improving the latter's export opportunities and promoting the growth of mutual trade.

The CMEA countries' credit and financial relations with the developing states are a new and virtually unprecedented phenomenon in the history of world economic ties. Credits are extended to these states on easy terms and with long maturities. The maturities are long enough for the industrial projects built under the

credits to create accumulations, from which the credits are to be repayed.

By the early 1980s, 3,300 industrial projects had been put on stream in 92 Asian, African and Latin American countries with the economic and technical assistance of the CMEA states. The importance of such cooperation for the national economy of the developing countries is evident from the fact that over 40 per cent of all the pig iron and 30 per cent of the steel produced in Asian and African countries come from enterprises built with Soviet assistance.

An essential feature of that assistance is that it is not tied to any military, political or economic obligations, and does not involve concealment of any technical innovations, production know-how, etc. On the contrary, the socialist countries deliver complete sets of equipment in accordance with the latest achievements of world science and technology, and send over the most highly skilled specialists to the developing countries in order to help national personnel to master new machinery and technology.

Long-term and steady economic ties with the developing countries are mutually advantageous and serve to benefit the CMEA countries as well. Under product-pay-back deals, they receive from the developing countries various goods

required by their economy.

The disinterested assistance of the socialist community countries has a particularly beneficial effect on the course of socio-economic development in socialism-oriented countries.

Industrialisation in these countries is impeded by their relative economic backwardness inherited from the colonial days. It takes a long time and much effort to restructure their economy and correct the lop-sided, deformed structure imposed on them by the industrially developed imperialist countries, which sought to turn them into a permanent agrarian appendage, a source of raw materials and cheap labour power.

Existing socialism enables these countries more effectively to resist the policy of imperialist interference and aggression, to use the historical experience of socialist construction, and gain broad access to modern scientific knowledge, to the latest machinery and technology.

## Cooperation of Agriculture

Agricultural cooperation is of great historical importance for the socialist reconstruction of the society. It became possible in the USSR as a result of the victory of the Great October Socialist Revolution, which not only transferred capitalist plants and factories into

the people's property, that is, nationalised capitalist property, but also abolished landed estates. In the early years of Soviet power, the land owned by the landowners and kulaks (that is, rich peasants who used wage-labour) was distributed among the poorest peasants. That strengthened the peasant households, turning the mass of poor peasants who could hardly make ends meet into middle peasants, who became the main producers of grain and other farm produce. But the class stratification in the countryside continued, as small commodity production kept engendering capitalist elements.

The only answer to that problem was pointed out by Lenin in his world-famous *co-operative plan*. That plan envisaged a gradual and voluntary transition from small individual households to production associations and labour cooperation, a plan which was simple and easy for the peasants to understand.

The overall task, however, was far from simple, for the peasants had for centuries farmed minute plots of land, while a transition to the road of cooperation meant that these plots should be united. Over the centuries, the peasants were also used to run their farms on their own, within their own family, whereas for a transition to the road of cooperation they had to be convinced of the advantages

of joint work by many labourers on one co-operative farm. Over the centuries, the peasants had wanted to have their own means of production, albeit the simplest implements and draft cattle, but "their own", and now they had to be convinced that by pooling their means of production and turning them into social property they could apply them more efficiently and introduce modern machinery. Over the centuries the peasants had regarded the right to own their produce as sacrosanct, and now they had to be convinced that collective farming would be far more productive than small-scale individual farming.

So, a revolution had to be effected not only in the economy, in property relations, but also in the mentality of millions of peasants, who had to give up their old notions and habits and to embark on a new road. And that revolution was carried out, because the poor and middle peasants acted in close alliance with the working class, trusted their communist party, and vigorously supported the policy of the Soviet state. The material basis for collectivisation was provided by socialist industry, which supplied the countryside with tractors and other modern machinery. Apart from that, the most conscious representatives of the working class helped to organise collectivisation and spread its ideas in the coun-

tryside. The workers' and peasants' state gave all-round economic and financial support to agricultural producer cooperatives.

Scrupulously observing the principle of voluntariness, persuasion and example, the CPSU and the Soviet state helped the peasants to go over from the simplest forms of cooperation to more complicated ones, from supply and marketing cooperatives to producer cooperatives.

In the USSR, producer cooperatives took the form of collective farms (kolkhozes). Collective farms have travelled a long road, coming to occupy an important place in the developed socialist society. In advancing along that road, they met not only with successes, but also with difficulties, mostly in the matter of establishing the right economic relations between the collective farms and the state, remuneration procedures on the collective farms, specification of the role and place of subsidiary households, etc. The main thing, however, was decided from the very beginning: the collective-farm system put the peasantry on the road to socialism, and with its victory the socialist sector spread across the whole national economy.

The Soviet Union's experience in the socialist transformation and development of agriculture is of great international importance.

It is being used by other socialist countries with a view to their concrete conditions and peculiarities. It also shows the advantages of social farming for the peasantry of the developing countries. After all, many of these countries, where the peasantry makes up the bulk of the population, still face the imperative question of how to develop agricultural production. Removal of the vestiges of feudal relations is a necessary condition of social progress in these countries. As historical experience shows, there are two ways of switching small-scale peasant production to the rails of large-scale production. One of these is the bourgeois way, when large-scale capitalist enterprises are set up and the peasants are converted either into wage-workers or into nominally independent small and middle property owners (farmers), who have to struggle hard in order to keep going in face of competition from powerful monopolies. That is a way of ruin, impoverishment, enslavement and uncertainty in the future.

The other is the socialist way. It involves the formation of large, highly profitable and highly mechanised agricultural enterprises on the basis of social (collective) property in the means of production alongside state enterprises (state farms). It is a way of raising the peasantry's material and cultural standards, with

a transformation of agricultural work into a variety of industrial work and a gradual erasure of the distinctions between classes in the socialist society.

Socialism-oriented countries are following the second, socialist way. They introduce agrarian reforms aimed at drawing the peasants into new social relations. But implementation of such reforms involves considerable difficulties, for a semi-subsistence economy based on routine farming techniques still prevails in the agriculture of these countries, with vestiges of tribal, patriarchal, slaveholding and feudal relations. At the same time, the class stratification of the countryside keeps engendering a prosperous stratum, which is opposed to progressive agrarian transformations.

Working to overcome these difficulties, a number of developing countries have scored noticeable successes in the cooperation of agriculture.

## More Than Literacy

Under industrialisation and the collectivisation of agriculture after a socialist revolution, it is particularly important to train highly skilled specialists in order to meet the demands of large-scale mechanised production run on



scientific lines. The USSR faced a particularly difficult task, for the overwhelming illiteracy inherited from tsarist Russia had to be overcome in a short historical period. Before the revolution, nearly three-quarters of Russia's population in the 9 to 49 age group could neither read nor write, and the working masses had no access to education. The Soviet power abolished estate divisions in the country and opened the schools for all the working people irrespective of social status, nationality, religion or sex. As a result of state measures to promote public education, roughly 60 million illiterate people were taught to read and write in the first 20 years of the Soviet power, so that the share of illiterates was reduced to a minimum, and eventually illiteracy was totally eliminated across the country. But, as Lenin put it, "literacy alone will not carry us very far. We must raise culture to a much higher level."<sup>1</sup> A network of higher and specialised secondary educational establishments was being set up in the country. A major role was played by workers' departments, which provid-

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<sup>1</sup> V. I. Lenin, "The New Economic Policy and the Tasks of the Political Education Departments. Report to the Second All-Russia Congress of Political Education Departments, October 17, 1921", *Collected Works*, Vol. 33, 1976, p. 74.

ed general secondary education and enabled their graduates to go on to institutions of higher learning. In 1939, only 22 years after the socialist revolution, 123 persons in every thousand employed in the economy already had a higher or secondary (complete or incomplete) education. In our day, these figures seem to be modest, for at the end of 1983 something like 87 per cent of the USSR's gainfully employed population had a higher or secondary (complete or incomplete) education. Characteristically, educational standards have risen particularly rapidly in the former national outskirts of tsarist Russia, including the Soviet Republics of the East. Thus, from 1939 to 1982, the number of persons over 10 years of age with a higher or secondary (complete or incomplete) education per 1,000 population multiplied more than 12-fold in the Uzbek SSR and 13-fold in the Tajik SSR.

Specialists with a higher education in different branches of knowledge made up the backbone of a new, people's intelligentsia. Its formation was one of the major results of a *cultural revolution* carried out in the USSR under Lenin's plan of socialist construction. It was a truly revolutionary process meant to raise the people to the heights of culture, to put culture within the reach of the masses, and enrich the world civilisation with the achievements

of advanced socialist culture.

The successful implementation of the line towards the country's industrialisation, collectivisation of agriculture and a cultural revolution made it possible to overcome the contradictions of the period of transition from capitalism to socialism, and the USSR entered the socialist phase of development. So, the scientific predictions of the founders of Marxism were for the first time in history translated into practice, enriching mankind with the experience of existing socialism. Economic theory developed accordingly as the basis of fundamental knowledge of the ways of building the new society. Let us consider some of its essential propositions.

## The Mainstay of Socialism

*Social property* in the means of production is the basis of the socialist system, the main factor in the existence of socialism, its mainstay and the major source of its progress.

Social property means that the producers themselves—the working people—own the means of production in common, or collectively. That determines the whole system of production, distribution, exchange and consumption in the socialist society.

First, social property rules out the transfer of the means of production into the property of individuals and so the possibility of some people exploiting others.

Second, social property provides the basis for an assertion of real equality between people with regard to the means of production, links the producers together by relations of comradely cooperation and mutual assistance, and gives them moral and material incentives to improve their personal work standards.

Third, the relations which assert themselves between the working people on the basis of social property in the means of production rule out competition between them with all its pernicious effects and give rise to socialist emulation as an expression of their high awareness of their social duty.

Fourth, social property in the means of production engenders an imperative need and creates conditions for balanced economic development, for running the whole economy under a single plan.

That is why social property is the main target of attack by the enemies of socialism. They maintain that such property has no real economic meaning, for it allegedly boils down to bureaucratic centralism, to state control of the economy. They forget to mention, however, that socialist social property is the very

basis of socialist statehood with its genuine democracy.

### For the People's Benefit

Under socialist property in the means of production, there is a fundamental change in the essence of economic laws and the nature of their operation. The society is enabled consciously to regulate its economic relations and gear the development of production to a single goal. *The goal of the development of socialist production is the total well-being of all the society's members and the free and all-round development of every individual.* That noble and truly humane goal is determined by the socialist economic system itself, by its basic economic law. That law is essentially different from the basic economic law of capitalism. Under private property, the goal of production and its development is profit, and under social property, it is an improvement of the working people's well-being and creation of conditions for the all-round development of the individual. The form of property also determines the means used to attain the final goal. Under private-capitalist property, production growth and higher profits are attained through the exploitation of the working people, and the greater their physical and intellectual effort and

the lower their living standards, the greater is the might and wealth of their capitalist oppressors. Under social property, the growth and perfection of production are only meant to serve the interests of the working people, and the more productive their labour, the higher are their living standards and quality of life.

That is why the working people of the socialist society, united by social property, have common fundamental interests, which engender unity of action and common aspirations. That gives them new inducements to work: a high awareness of their paramount social duty and a striving to raise labour productivity for a continual growth of social wealth as the only source of improving the wellbeing of one and all. At the same time, the society as a whole is also interested in such an improvement of the working people's well-being as an economic prerequisite of the further accelerated growth of socialist production and a thriving socialist economy. That shows the real humanism of the socialist system, under which the natural and objective goal of social production is to meet human requirements. For the first time in history, the working people themselves—the producers of material and spiritual values—have an opportunity to enjoy all the fruits of mankind's progress.

Living standards under socialism are determined not only by the availability of material and spiritual values, but also by such things as confidence in the future, which stems from the guaranteed right to work; free access to education; and the very atmosphere of the socialist society, which creates conditions for constructive, meaningful labour and social activity by all the working people.

### Under a Single Plan

A major feature of socialist production is its *balanced development*. With the establishment of the working people's power and the assertion of socialist property in the means of production in all spheres of the economy, conditions are created for the first time in history for conscious and scientifically grounded administration of the economy in the interests of the whole people, for the progressive development of the whole society. The capitalist law of competition and anarchy of production gives way to the law of proportional and balanced economic development. *Planning* becomes a characteristic feature of the socialist economy.

It is hard to overestimate the importance of that historical stride forward from the realm

of necessity to the realm of freedom. Planning makes it possible to direct the joint work of millions of people, organise their collective labour, use scientific and technical achievements in the interests of the whole society, and run the integral economy on rational lines. A consciously elaborated and realised plan helps to make efficient use of the modern means of production and labour resources, and constantly to maintain the necessary proportions between the branches of the national economy in order to meet as fully as possible the society's requirements in producer and consumer goods. Planning makes it possible to establish economic proportions which help to raise the efficiency of social production and to maximise the economies of labour-time on the scale of the society as a whole.

The main lines for improving national-economic proportions are determined at each successive stage in the development of the country's economy with a view to the level attained. At the present stage of economic development in the USSR, such guidelines are elaborated with a view to the long-term development of the country's economy so as to raise the people's living standards and accelerate scientific and technical progress as a crucial condition of enhancing the efficiency of social production. All national-economic proportions are subordinated to the ful-



filment of these tasks, including the correlation between the production of the means of production and that of articles of consumption, between industry and agriculture, between the production sphere and transport, etc.

Drawing on the socialist countries' experience, socialism-oriented countries are taking their first practical steps in planning. Five-year development plans have been adopted by the People's Republic of the Congo, the Democratic Republic of Madagascar, and the Republic of Seychelles, and a ten-year development plan by socialist Ethiopia.

Development of the national economy under a single plan, which determines the correlation and connections among all the branches and lines of production, the pace and direction of their development as elements of an integral socialist economy, and the distribution of the productive forces, makes it possible to ensure economic growth in accordance with the society's rising requirements.

Plans are a great organising force. They thoroughly map out the way to be travelled by the society. Plans are concrete programmes of action which point out the direction of socio-economic development and set the targets to be attained at the present stage and over the longer term.

## A Just Principle of Distribution

Under the principle of distribution which corresponds to socialist production, "the individual producer receives back from society—after the deductions have been made—exactly what he gives to it",<sup>1</sup> that is, precisely in accordance with the quantity and quality of his work. "From each according to his ability, to each according to his work"—such is the just principle of distribution under socialism, which is directed both against egalitarian distribution and against anyone trying to violate that true social equality by taking from the society more than he really earns by his own work. The working people's society cannot tolerate idlers and hangers-on who live at the expense of other people's labour and try to lay hands on as big a slice of the social pie as possible.

Having eliminated exploitation and compulsion to work, socialism has raised the importance of labour to unprecedented heights, and that is an inexhaustible source of its strength. It gave man both the right and the duty to work.

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<sup>1</sup> Karl Marx, "Critique of the Gotha Programme", in: Karl Marx and Frederick Engels, *Selected Works* in three volumes, Vol. Three, Progress Publishers, Moscow, 1973, p. 17.

The principle of socialism is "he who does not work neither shall he eat".

The adversaries of socialism use that to intimidate gullible people: how can one speak of personal freedom, they say, when the individual is duty bound to work? But such is the argument of those who are only used to living at the expense of other people's labour. Neglect of the sacred duty to work amounts to parasitism, which is alien to the very nature of the socialist system. No working person can agree with such an attitude, and that is why, even though work under socialism has yet to become life's prime want for one and all, the striving to work as well and as effectively as possible is truly general.

That striving, that general interest is supported by the state in every way. The state seeks to perfect remuneration systems, to ensure that the *principle of personal material incentives* operates throughout the national economy, and to control observance of the fullest possible correspondence between the measure of labour and the measure of consumption.

The growth of the working people's real incomes under socialism stems from an increase in their money incomes received on the basis of remuneration in accordance with the quantity and quality of their labour input, and from an extension of payments and benefits from

*social consumption funds.* Payment according to work in the USSR accounts for three-quarters of the total increase in the working people's incomes, which makes it possible not only to increase the people's consumption in a balanced way, but also to enhance the role of remuneration as an incentive, strengthening its dependence on the final results of the work, on its greater efficiency.

One of the most favourite "theories" spread by anti-Communist ideologues maintains that incomes under socialism are just as unequal as under capitalism. The authors of such "theories" point to the differences in the remuneration of skilled and lower-skilled working people, and also in that of managerial personnel and workers. But no true Marxist has ever claimed that the socialist principle of distribution means egalitarian remuneration. The very principle of equal pay for equal work means that unequal work should result in unequal pay. Another point is that the higher pay of a skilled worker is connected with his larger contribution to production. It provides the necessary incentive to an improvement of the working people's skills, experience and knowledge. The equal right to education and the great concern of the state and the trade unions for raising the working people's educational and skill standards help to create the necessary prerequisites for

raising the remuneration of all the working people. That is evident not only from the rising skill standards and the growing share of workers with a secondary education, but also from the measures to raise the remuneration of relatively low and average-paid categories, of those working in hard climates, etc.

Social consumption funds, that is, payments and benefits extended to the working people by the state, play the crucial role in overcoming the certain inequality in consumption which is inevitable under distribution according to the quantity and quality of work (and which is also due to the fact that equal wages result in different real incomes per person depending on family make-up). These payments and benefits are a tangible addition to the family budgets of workers and office personnel. If there were no social consumption funds and the working people's incomes were confined to wages alone, family budgets would have had additional items of expenditure requiring large outlays. Thus, housing and public utility payments would have increased almost three-fold, payments for pre-school child-care facilities, five-fold, etc.

The measures taken by the socialist state to raise the people's living standards at the expense of social consumption funds help the individual throughout his entire life, affecting every aspect

of his existence: working conditions, health, education, the raising of children, satisfaction of cultural requirements, housing, rest and recreation, etc.

## Economic Instruments

The possibility and necessity of a balanced development of the socialist economy are not realised automatically, but call for vigorous and purposeful activity of the state and the working masses, who take a direct part in the elaboration of plans and in putting them into practice, that is, for an implementation of Lenin's *principle of democratic centralism*. Under centralised planning, the whole of the state economic mechanism is transformed "into a single huge machine, into an economic organism that will work in such a way as to enable hundreds of millions of people to be guided by a single plan..."<sup>1</sup> At the same time, the working people's initiative and daring innovation, which ensure fulfilment and overfulfilment of plans, develop on a large scale.

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<sup>1</sup> V. I. Lenin, "Extraordinary Seventh Congress of the R.C.P.(B), March 6-8, 1918. Political Report of the Central Committee, March 7", *Collected Works*, Vol. 27, 1977, pp. 90-91.

A point to note is that the socialist economy offers greater scope for initiative and innovation than the capitalist economy, which is spurred on along the narrow path of competition and profit-making through a brutal exploitation of wage-labour.

As an organised society developing in a balanced way, socialism has its own methods of economic activity. The economic mechanism here is geared to the attainment of a single goal determined by the basic economic law of socialism and is structured in accordance with the law of proportional and balanced development and other economic laws of socialism. Since the whole socialist society has a direct stake in achieving maximum results at minimum costs, that becomes an indefeasible law of economic activity. That is also the purpose of all the components of the economic mechanism, primarily economic calculus (*khozraschet*), which provides a basis for the interrelations between the society as a whole and its various economic units, enterprises and associations in every sector of the national economy.

The main principles of *economic calculus*, however diverse its forms in various socialist countries, are as follows:

- the enterprise's independence in economic operations;
- a commensurate analysis in money terms

of the costs and benefits of the enterprise's activity; the need to make the enterprise profitable;

- material incentives and responsibility of each work collective and working individual for the economic performance of the enterprise;

- financial control over the activity of the enterprise.

On the whole, economic calculus is a method of socialist economic management used for the successful attainment of plan targets, more rational application of the material, financial and labour resources at the disposal of the enterprise, and its profitable operation.

Under economic calculus, the enterprise handles the production assets put at its disposal and seeks to maximise returns in accordance with state interests. It takes steps to organise production on rational lines and manipulates the resources in its charge. At the present stage in the USSR and other socialist countries, the rights of enterprises and associations in their production and economic activity are being extended. At the same time, their responsibility for the fulfilment of centrally established state plans and their obligations under contracts with their partners is being increased. Economic incentive funds formed from the profits of the enterprise are being increasingly used to offer the work collectives and working indi-



viduals greater material incentives. Soviet enterprises and associations use three funds for these purposes: production development, material incentives, and socio-cultural and housing funds. Indicatively, these funds are applied by decision of general meetings of work collectives, under the control and with participation of the trade unions.

If an enterprise is to pay its way and create definite accumulations necessary for the whole society and for its own work collective, it should make profit.

The socialist economy, which develops under a single plan, calls for a precise cost and benefit analysis on the scale of the whole national economy, which helps to make the fullest and most rational use of all production resources for a successful fulfilment of economic and social tasks.

That is done with the help of economic instruments which are intrinsic to socialism and operate within the framework of the planned economy. A major role here is played by the system of prices, which includes the state prices of manufactures, the procurement prices of farm produce, and also the retail prices of consumer goods and services. All these prices are set in a centralised way and are meant both to cover the costs of production and marketing, and to create the necessary accu-

mulations. Alongside these prices in the USSR, there are prices which to a certain extent depend on the correlation between supply and demand, that is, the prices of the so-called collective-farm market for selling produce from personal subsidiary farms.

Under socialism, the system of economic instruments also includes credit and other banking operations, rent, payments made by the enterprises for use of production resources, etc.

On the strength of that, bourgeois ideologues draw the conclusion that since the socialist economy uses such economic instruments, it allegedly differs very little from the capitalist, or market, economy. But the point is not how these instruments are called but what their essence is, whom they serve and what role they play in economic life. The economic instruments used under socialism are fundamentally different—both in nature and in purpose—from the commodity-money elements of capitalist economic activity, from the sway of the market which inevitably causes much hardship for the working people and with which no bourgeois state can ever cope.

The socialist economic mechanism reminds one of a gigantic machine, all of whose parts should operate rhythmically and smoothly. Of course, one should be able to run the machine and have a good knowledge of its structure

and the principles behind the interaction of its components.

The task of comprehending objective economic laws and defining the principles of their use faces not only science, but also the practice of socialist management as represented by the activities of millions of people, for these activities under socialism constitute the "behaviour system" of the economy. Rigid centralism, even when it is based on "super-intelligent" computers can never ensure balanced development of the economy without the masses' active involvement in running the socialist economy. In their work, the people gain a knowledge of economic development laws and seek to implement them in ever greater measure in the interests of the whole society and each of its members.

## The Crucial Task

The crucial, cardinal task which holds the key to economic development and an improvement of the people's wellbeing is that of *raising labour productivity*. The less labour and fewer means go into the production of a unit of output, the greater are the society's possibilities of meeting its growing needs. That is perfectly clear to all, but the difficulty is to

find ways of attaining real increases in labour productivity.

In that respect as well, socialism creates broader opportunities than capitalism. First of all, there is a truly massive concern for raising labour productivity. It manifests itself in the socialist emulation movement, in the growing initiative of the masses, who keep looking for ways to boost production at their workplaces, to perfect technology and labour organisation. That movement of millions is a remarkable feature of the socialist way of life.

The working people's initiative multiplied by their knowledge and skills promotes labour productivity growth. To bring about such growth in the socialist society, it is first of all necessary to ensure the material basis of large-scale industry, introduce scientific and technical achievements in production, raise the working people's general education and cultural levels and the standards of their special technical training, improve labour discipline and organisation, and teach people to work better and more efficiently.

Scientific and technical progress is the decisive factor, the material basis of labour productivity growth. Machinery and technology are perfected through increases in capacity and speed of operation, and a transition from conventional machines, whose operation usually requires

considerable inputs of physical labour, to semi-automatic and automatic devices and robots. So, the economic effect of scientific and technical progress under socialism entails a major social effect: the new technology alters the very nature of work, with a gradual shift of emphasis from physical to mental operations. Considering that labour productivity growth enables the society gradually to reduce working hours and so to increase the amount of free time available to the working people for rest, education, sports, etc., it becomes clear that such growth is a necessary condition of the working individual's allround and harmonious development.

At the same time, the working people's rising educational level, skill standards and general culture are an effective factor of labour productivity growth. That is all the more important since present-day scientific and technical progress tends to increase the demands not only on hardware and technology, but primarily on those who develop and operate the most sophisticated machines. Moreover, each working person now operates an ever larger mass of instruments of labour and other means of production, and their more effective use ultimately depends on his knowledge, skill standards, quality of workmanship and creative attitude to work. The higher the labour productivity, the stronger the

country's economy and the larger its social product.

## Social Product

All the values produced by the society over a given period constitute its *social product*. How is it distributed? First of all, a part of it is used to replace the society's outlays on production: the value of the raw and other materials and fuels; the value transferred to the finished product in the course of labour by machinery and equipment, etc. All of those constitute the *replacement fund*. The part of the social product which remains after the subtraction of the value of the replacement fund is called the *national income*, or the *newly created value*. The national income falls into two parts. The first is the *accumulation fund*, or the resources allocated by the society to an expansion of production. That fund also includes the resources necessary to build and equip socio-cultural projects: houses, schools, hospitals, theatres, etc. Reserve and insurance funds are also set up from the consumption fund. The other sizeable and growing share of the national income under socialism is the *consumption fund*. In the USSR, it accounts for more than three-quarters of the

national income. That fund includes the resources that are used as payment for work in all spheres of the national economy and culture, and also to maintain scientific, educational and public health institutions. That fund goes to raise and educate children, to maintain the aged, the disabled and other persons unable to work. A part of the consumption fund goes into state administration and defence. In those items of the state budget through which the main part of the national income is accumulated and distributed, outlays on defence occupy a relatively modest place and their share is on the whole stable.

Even such an outline of the principles on which the social product and the national income are distributed under socialism shows that the volume of the resources directly allocated to raising the people's living standards depends both on the overall volume of production and on how efficiently the replacement and accumulation funds are being used. That is why the whole society is interested not only in a growth of production, but also in its greater efficiency. That is particularly important in expanding production, when an ever greater mass of production resources is being drawn into it. From 1940 to 1982, per head national income in the USSR multiplied 10.6-fold, and real incomes, 6-fold.

Raising the efficiency of production is a multifaceted process whose main components are:

First, higher labour productivity, achieved primarily through the mechanisation and automation of production processes and an improvement of the working people's skill standards.

Second, better use of machinery and equipment through more sophisticated techniques and better organisation of labour.

Third, thrifty use of raw and other materials and fuels through a perfection of technology and an improvement of product quality at every stage of the technological process.

All these components together make up the concept of intensification of production, which marks a new stage in the development of the whole socialist economy.

Intensification of production is just as important under developed socialism as socialist industrialisation is when the foundations of the new society are being laid. That is an essentially new and highly effective type of reproduction.

The intensive type of economic growth is the most vivid manifestation of the undeniable advantage of socialism that the working people who have taken the means of production into their own hands and run their integral national economy on planned lines are better masters of



their country than private property owners. The people as a single work collective are primarily concerned with the rational use of the chief productive force: human labour itself. They also seek to ensure that the results of their labour are not squandered but are realised to the utmost in production and consumption. True, not all members of the society come to understand that right away, and it takes a fairly long historical period for people to develop the same attitude to common property as to their own. But such an understanding is bound to come, and ever broader masses of the working people are developing a high sense of duty to the society as a whole, to their fellow-workers.

All of that shows that socialism is based and develops on essentially new relations of production which give free scope for the development of the productive forces and attainment of the supreme goal: a steady improvement of the people's wellbeing. This means that socialism opens up truly boundless perspectives for mankind's economic and social progress.

The political economy of socialism provides true guidance for a successful advance along that way.

## A New Type of the World Economy

With the victory of the Great October Socialist Revolution in Russia in 1917, a new world—the world of socialism—arose on the globe. After the Second World War, socialist revolutions won out in a number of European and Asian countries, and Cuba was the first country in Latin America to take the socialist road. These countries have formed the world socialist system, with the *world socialist economic system* as its economic basis.

In 1919, the socialist world represented by Soviet Russia had 16 per cent of the world's territory and 7.8 per cent of its population, and by 1982 the figures had gone up to 26.2 per cent and 32.7 per cent, respectively. The socialist countries now produce over 40 per cent of the world's industrial output. The USSR alone produces more manufactures than the whole world did in 1950.

The world socialist economic system exists on the planet alongside the world capitalist economic system. Such coexistence of the two systems is a form of the class struggle between the proletariat and the bourgeoisie in our day. But it does not presuppose armed clashes or wars between countries belonging to opposite world systems. In contrast to imperialism, so-

cialism does not brandish weapons or threaten the use of armed force in that struggle, for its strength lies in the historical justice of the great revolutionary cause of the working class and the other working people of all countries. Bourgeois ideologues allege an "export of revolution", although they know very well that revolutions cannot be exported and that they take place and win out only when their objective and subjective prerequisites have taken shape inside the country. While accusing the socialist countries of an export of revolution, the most brazen imperialist circles have themselves resorted to an export of counterrevolution. Recent history is full of examples to that effect.

The socialist countries believe that it is necessary to develop peaceful economic cooperation and competition between countries with different socio-economic systems. In that competition, the socialist countries display their undeniable advantages and so exert a revolutionising influence on the course of socio-economic development in the world. Hundreds of millions of people look towards socialism as the most progressive society in mankind's history, which gives the working masses freedom, genuine democratic rights, wellbeing, broad access to knowledge, and confidence in the future. Socialism brings peace, sets an example of equitable

international cooperation, and is a reliable bulwark for the peoples fighting for freedom and independence.

One of the crucial advantages of the socialist world is that it is a world of true equality, concern for each other's successes, fraternal cooperation and mutual assistance. That makes it entirely different from the capitalist world, which is torn by inter-imperialist contradictions and is based on the inequality of its states, on the oppression and enslavement. In the socialist world, exploitation of some countries by others is ruled out, and the stronger, industrially developed countries do not impose a lop-sided economic structure on the weaker countries or turn them into their agrarian or raw-material appendages. On the contrary, the socialist world is subject to the law of the evening-out of economic development levels, which takes effect in practice through allround and disinterested assistance to the once-backward countries in order to raise them to the level of the advanced states. All countries take an equal part in the international socialist division of labour, which enables them to develop their national economies in every way, giving priority to those branches of production for which the conditions in the given country are most favourable.

The common socio-economic system engenders

more and more common elements in the political, economic and social life of the socialist countries. That process of their gradual drawing closer together is evidently a uniformity. At a definite stage, that uniformity has manifested itself in the development of international socialist economic integration. An important role in that process belongs to the Council for Mutual Economic Assistance (CMEA), an international body set up to promote economic cooperation. It is an open organisation which can be joined by any country which shares the goals and principles of the Council and is willing to cooperate on the basis of these principles. *Socialist economic integration* implies the formation of deep-rooted and lasting ties between the socialist countries in the main branches of production, science and technology. It involves joint planning activity, the establishment of international economic, scientific and technical bodies, and diverse forms and methods of economic, scientific and technical cooperation. One of these forms is the joint building of industrial projects, which marks the beginning of the formation of international socialist property.

The successes of socialist economic integration provide fresh and convincing proof of the creative potentialities of socialism, of its historical superiority over capitalism.

## Developed Socialism and Its Perfection

Socialism is a dynamic system. This means not only that the rapid and steady development of the socialist economy is free of crises and recessions, but also that its development involves a constant qualitative renewal of the social system, both of its productive forces and its relations of production. Such continual perfection is one of the crucial features of socialism as a progressive social system, a sign of its creative potentialities and advantages.

Socialism is the *first and lower phase* of the communist formation. In its development, it goes through several law-governed and historically necessary stages. At the stage of the transition period, the people tackle the tasks of laying the material and technical basis of the new society, asserting socialist relations of production on a national scale, and eliminating the exploiter classes and the causes that engender them. Once these tasks have been fulfilled, one can say that socialism has been built *in the main*. At the next stage of socialist development, the reconstruction of social relations on intrinsically socialist, collectivist principles is completed. With the fulfilment of these tasks, the socialist society enters a

historically protracted period of *developed, mature socialism*. The main content of that stage is a further perfection of developed socialism, with the society's gradual advance to communism. The USSR is now at the beginning of this protracted historical stage. It is the first country to have built a developed socialist society.

History shows that these stages cannot be skipped. Truly communist relations cannot be established right after the victory of a socialist revolution, for that would contradict the immutable laws of history, and any attempt to miss out the necessary stages, to run ahead is bound to harm the building of the new society. It would be futile, for instance, to try to introduce distribution according to needs without an abundance of goods, or in conditions where human consciousness has not as yet reached a level when work becomes life's prime want for all. It is necessary to create a highly efficient material basis for such an abundance, and the fostering of such an attitude to work will take many years of painstaking effort.

Although the necessary historical stages cannot be skipped, the society's advance can and must be accelerated. Socialism has all the conditions for this. Once socialism is built in the main, it begins to develop on its own basis. This means that there are no classes or social groups in the society which would try to resist social

progress, and that one and all in the socialist society, have a vital stake in the continual perfection of the country's economic and political system. This also means that developed socialism relies on an advanced material and technical basis, on a powerful national-economic complex pivoted on a modern multisectoral industry and a large-scale highly mechanised agriculture. A new type of superstructure – a state of the whole people which ensures the development of the broadest and most consistent socialist democracy, of genuine people's power – corresponds to well-established, mature socialist relations, which form the basis of the socialist society in the USSR.

All of that creates conditions for a steady development of the productive forces and perfection of the socialist relations of production. Implementation of the latest achievements of the scientific and technical revolution entails qualitative changes in the productive forces of developed socialism, with complex mechanisation and automation of production, wide use of computers and robots, and introduction of flexible technology which makes it possible rapidly and efficiently to go over to the manufacture of new products. In the power industry, nuclear power is to be used for peaceful purposes on a large scale, and the formation of a country-wide electric power grid, con-



nected with the power grids of the fraternal socialist countries, is to be completed. The chemical industry and biotechnology are to be further developed. All of that will lead to a real technical revolution in the national economy, raise the productive forces to a qualitatively new stage, and boost labour productivity.

Such fundamental changes in the instruments of labour will be paralleled by a perfection of the society's chief productive force: the working individual himself. The very nature of his work will change as the share of mental activity necessary for running sophisticated machinery will steadily increase. That will make work ever more attractive, fill it out with creative content, and enable every member of the society to display his abilities to an ever fuller extent.

That social aspect of labour in the developed socialist society is a focal question of political economy as the science of relations between people concerning production. Evidently, the changing nature of labour in every branch of social production will further strengthen the production relations of socialism and consolidate the people in the course of integral and planned social production.

Essential changes will also take place in the very basis of socialism: social property in the

means of production. Its two historically arisen forms—state (the whole people's) and cooperative (collective-farm)—should eventually draw closer together and then merge into one property of the whole people.

That will not mean, however, that one form of property will absorb the other. In practice, they have been drawing closer together through a perfection of state property and further socialisation of cooperative property. As large socialist enterprises, the collective farms have been pooling their efforts and resources to set up joint cropping and livestock-breeding units, building organisations, etc. They also engage in voluntary cooperation with state agricultural enterprises. Agro-industrial cooperation, which covers the production, industrial processing, storage and marketing of farm produce, is also gathering momentum. All of this helps to bring the two forms of socialist property closer together. That is of crucial socio-political importance, since the formation of one form of property will gradually make it possible to overcome the class distinctions between the working class and the collective farmers and to form an essentially classless social structure within the historical framework of developed socialism.

So, having first eliminated the society's division into opposite classes (exploiters and

exploited) and created a system under which two friendly classes of working people exist and develop in close unity, the Soviet people are now taking another resolute step towards a communist society, the ultimate goal of all socialist transformations.

## The Higher Phase of Communism

Marxist-Leninist science has never aimed to portray the future communist society in every detail. But its fundamental distinctive features were outlined by the founders of scientific communism with perfect clarity. Their foresight, the exceptional accuracy of their analysis is indeed amazing. That analysis has nothing to do with crystal-gazing or with the inventions of soothsayers, and life has shown that very well. After all, there is no impenetrable wall between communism and socialism, its first and lower phase.

In the early days of socialist construction in the Soviet Republic, Lenin already discerned the germs of communism in a seemingly simple, everyday fact, when the workers of a locomotive shed decided to repair a locomotive on a rest-day without any remuneration. Lenin called their work on that spring day a "great

beginning", and he was right: it gave rise to a movement which has become a notable feature of the socialist way of life and is known as socialist emulation. Over the past six decades, millions of working people have taken part in that movement. Its forms may be changing and its participants may be coming up with ever new initiatives, but the most important thing is always the same: high consciousness, selfless labour, and a disinterested concern for the good of the whole society. Those are the features of the communist attitude to work as to the most important thing in the individual's life, an inexhaustible source of social prosperity.

Communism is being built by persevering human labour, for the benefits it will bring to every individual cannot fall from heaven as some miraculously supplied manna.

A society where, as Marx put it, all the sources of cooperative wealth will flow more abundantly, where labour will become "not only a means of life but life's prime want", and where the principle of "from each according to his ability, to each according to his needs" will triumph, a society of freedom and equality, an organised association of harmoniously developed individuals—such will be the communist society of the future, the supreme achievement of the human civilisation.

That is the loftiest goal of all the forces of peace and progress, which are carrying on a tireless struggle for the happiness of the working people, of the whole human race.

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## Glossary

*Absolute worsening of the proletariat's condition*—a decline in the proletariat's living standards under capitalism, a direct result of the operation of the basic economic law of capitalism and the general law of capitalist accumulation. It means a worsening of the proletariat's living and working conditions, including housing, diet, etc.

*Accumulation of capital*—conversion of surplus-value into capital in the course of capitalist expanded reproduction.

*Aggregate social product*—all the material values produced in the society over a given period of time (usually a year).

*Anarchy of production*—lack of planning, disorder and chaos in the private-property commodity economy, marked by competition and haphazard operation of economic laws.

*Average (general) rate of profit*—equal profit on capitals of equal magnitude invested in different branches of capitalist production without regard to the distinctions in their organic composition.

*Balanced development*—a uniformity of socialist economic development which means that the society constantly and deliberately maintains the necessary proportions between the various branches and spheres of the economy in order to ensure the fullest possible attainment of the goal of socialist production.

*Banks under capitalism*—capitalist credit and financial enterprises which act as intermediaries between lenders and borrowers, deal in money capital and extract profit that is a part of the surplus-value created by the workers.

*Banks under socialism*—state institutions which service the money turnover in a balanced way and exercise accounting and control over the economic activity of the enterprises by means of credit, settlement and cash operations.

*Bourgeoisie*—the ruling class of the capitalist society, the owner of the means of production which uses these to exploit wage-workers.

*Capital*—value which yields surplus-value as a result of the exploitation of wage-labour.

*Capitalist cycle*—the movement of capitalist production through consecutively connected phases: crisis, depression, recovery and boom. Crisis is the main phase of the cycle, the end of one cycle and the beginning of the next.

*Classes, social*—large groups of people which differ from each other in terms of their place in a historically definite system of social production, their relation to the means of production (mostly enshrined in law), their social role and, consequently, the share of the social wealth at their disposal, and the ways in which they get it. The main distinction between classes lies in their relation to the means of production.

*Classical bourgeois political economy*—a progressive trend in the development of bourgeois economic thought which emerged when the capitalist mode of production was on the rise and when the proletariat's class struggle was as yet undeveloped.

*Collectivisation of agriculture*—the socialist transformation of agriculture through a voluntary unification of small and fragmented individual farms into large socialist collective farms.

*Commodity*—a product meant for sale.

*Communism*—the higher phase of the communist socio-economic formation based on social



property in the means of production; a society whose immediate goal is the all-round development of every individual.

*Communist mode of production*—a mode of the production of material values based on social property in the means of production and balanced development in the interests of the whole society.

*Competition, capitalist*—a struggle among the capitalists or their associations for a greater share of the production and marketing of commodities, for maximum profit.

*Constant capital*—the part of capital which is used to buy means of production and whose value does not change in the process of production.

*Consumption*—use of material values created in the process of production for meeting various human requirements; the final phase of the reproduction process and one of the aspects of the relations of production.

*Cooperation of labour*—joint activity by many people in one and the same labour process or in different but interrelated labour operations.

*Crisis of overproduction*—an inevitable phase of the capitalist cycle characterised by an eruption of all the contradictions of the capitalist econ-

omy, an overproduction of commodities, exacerbation of marketing problems, rapidly shrinking production, rising unemployment and the worsening condition of the working masses.

*Distribution*—a phase of the reproduction of the social product, which connects production and consumption; one of the aspects of production relations.

*Economic basis*—the society's economic system, i.e., the totality of production relations at a given stage of historical development.

*Economic calculus (khozraschet)*—a method of planned economic management under socialism based on a commensurate analysis in money terms of the costs and benefits of the activity of enterprises and associations, whose receipts have to cover their expenditures; on material incentives and the material responsibility of work collectives.

*Economic categories*—a theoretical expression of actually existing socio-production relations between people.

*Economic experiment*—a scientifically staged experiment or pilot project in the economic field aimed at testing the effectiveness of projected economic measures in the planned socialist economy.

*Economic laws*—the most essential and lasting objective interrelations and cause-and-effect connections in economic processes and phenomena.

*Economy, the*—a historically conditioned totality of production relations, the society's economic basis; a country's economy with its various branches and lines of production.

*Exchange*—an exchange of activity or products of labour between people on the basis of social division of labour; a phase of social reproduction which connects production and distribution with consumption, and one of the aspects of the relations of production.

*Exploitation of man by man*—a state of affairs where the products created by the surplus-labour of the immediate producers and sometimes also by a part of their necessary labour are appropriated without any compensation by the class which owns the means of production.

*Export of capital*—investment of capital abroad, which is typical of monopoly capitalism and whose purpose is to extract monopoly profit and to strengthen economic and political positions in the struggle for foreign markets and for an expansion of the sphere of imperialist exploitation.

*Feudal mode of production*—a mode of production based on feudal property in land and partial property in the labourers themselves (the serfs), on the exploitation of the serfs by the feudal lords (the landowners).

*Finance capital*—the merged capital of industrial and banking monopolies.

*Financial oligarchy*—a group of magnates of finance capital which has the economic and political power in the society.

*Formation, socio-economic*—a historical type of society which develops on the basis of a definite mode of production; a historically conditioned mode of production with its corresponding superstructure.

*General crisis of capitalism*—the general crisis state of the world capitalist system as a whole, with all the aspects of its economic, political and ideological life. The main sign of the general crisis of capitalism, which started as a result of the First World War (1914–1918) and the victory of the Great October Socialist Revolution in Russia in 1917, is the division of the world into two opposite socio-economic systems—socialist and capitalist—and the struggle between them.

*Ground-rent*—the part of the surplus-product which is created by the immediate producer

in agriculture and appropriated by the owner of the land.

*Imperialism*—monopoly capitalism, its highest and final stage of development; decaying and moribund capitalism, the eve of the socialist revolution.

*Industrialisation, socialist*—formation of large-scale industry, especially branches which produce means of production and which make it possible to build the material and technical basis of socialism.

*Inflation*—a depreciation of money under capitalism which manifests itself in price rises and which leads to a redistribution of the national income in favour of the ruling class.

*Instruments of labour*—the crucial part of the means of production, the things man uses to act on the objects of labour.

*Interest*—the part of the profit paid out by the functioning capitalist (industrialist or trader) to the owner of loan capital for the temporary use of the latter's money resources.

*Joint-stock company*—the predominant form of capitalist enterprise, a company whose capital is formed through the sale of stocks and shares.

*Labour*—purposeful human activity aimed at changing and adapting natural objects to meet human requirements.

*Labour, abstract*—labour which creates the value of a commodity, which is an expenditure of human labour-power in general without regard to the concrete form of that expenditure, and which expresses the interrelation of all commodity producers.

*Labour, concrete*—labour expended in a specially useful form, useful labour of a definite kind, which creates the use-value of a commodity.

*Labour, living*—conscious and purposeful human activity, an expenditure of mental and physical energy aimed to create a use-value or useful effect.

*Labour, past*—labour embodied in material values: means of production and articles of consumption.

*Labour-power*—man's capacity for work, the totality of his physical and spiritual abilities used in the production of material values.

*Material and technical basis of socialism*—large-scale machine production in every sector of the planned national economy, based on socialist property in the means of production.

*Means of production*—all the instruments and objects of labour used by people in the production of material values.

*Mercantilism*—a trend in bourgeois political

economy and state economic policy in the period of the primitive accumulation of capital (15th-18th centuries).

*Method of scientific abstraction*—a withdrawal of attention in the process of cognition from outward appearances and insignificant elements in order to bring out the innermost essence of the object or phenomenon.

*Military-industrial complex*—an alliance of military-industrial monopolies, reactionary military circles and the state bureaucracy, which advocate a constant arms build-up in order to make profit and to strengthen and expand the class rule of the monopoly bourgeoisie.

*Mode of production*—a historically conditioned mode of obtaining means of livelihood, a unity of the productive forces and the corresponding relations of production at a given stage of development.

*Money*—a special commodity which acts as a universal equivalent in the exchange of commodities.

*Monopoly, capitalist*—an association or alliance of capitalists which gains control of a sizeable part of the production and marketing of one or more commodities in order to extract monopoly profit. Monopoly domination is the main economic feature of imperialism as the highest and final stage of capitalism.

*Monopoly price*—a form of market price which diverges from the value and price of production owing to monopoly domination in production and marketing, and which yields monopoly profit.

*National income*—the value newly created in the whole national economy of a given country; the part of the value of the aggregate social product which remains after the subtraction of the value of the means of production used up in a definite period (a year).

*Nationalisation, socialist*—revolutionary expropriation of the means of production from the exploiter classes by the proletarian state and their conversion into socialist state property.

*Necessary labour*—the labour spent by workers in material production to produce the necessary product, which goes to meet their personal requirements and to reproduce labour-power.

*Necessary labour-time under capitalism*—the part of the working day in the course of which the worker reproduces the value of his labour-power.

*Necessary labour-time under socialism*—the time in the course of which the working individual produces that part of the social product which



both restores his vital powers and ensures the all-round development of his physical and spiritual abilities.

*Necessary product*—the part of the product newly created by a worker in material production which is the sum-total of the means of subsistence necessary for his normal existence and reproduction in the given socio-economic conditions.

*Neocolonialism*—a policy of the imperialist states aimed at the exploitation and oppression of the peoples of economically lagging countries. It often combines economic expansion in the form of capital export with political and military pressure.

*Object of labour*—a thing or set of things upon which people act in the production process.

*Petty-bourgeois political economy*—a trend in political economy which reflects the ideology of the petty bourgeoisie, the intermediate class of the capitalist society.

*Physiocrats*—French bourgeois political economists in the mid-18th century who transferred the subject-matter of political economy from the sphere of circulation to the sphere of production, and who started the scientific analysis of the reproduction and distribution of the social product under capitalism.

*Price*—a monetary expression of value.

*Price of production*—the price of a commodity in the capitalist economy which equals the costs of production plus average profit.

*Primitive-communal mode of production*—history's first mode of production, based on the collective property of separate communes in primitive means of production and the products of collective labour, with egalitarian distribution of these products.

*Production*—a process in the course of which people create the material values necessary for the society's existence and development, the basis of human life.

*Productive forces*—the means of production (instruments and objects of labour) and the people with their knowledge, production experience and labour skills, who set the means of production in motion.

*Productivity of labour*—the fruitfulness, effectiveness of concrete labour, measured by the quantity of use-values created in a unit of labour-time or by the amount of labour-time spent per unit of the product.

*Profit, capitalist*—a converted form of surplus-value appearing as an excess of earnings over

the outlays of capital and being appropriated by the capitalists without compensation.

*Profit, trading*—the profit received by trading capitalists as the result of a redistribution of the surplus-value created by the working class in the process of capitalist production.

*Proletariat*—a class of wage-workers who are deprived of the means of production, who live by selling their labour-power, and who are exploited by capital; one of the main classes of the bourgeois society, the chief revolutionary driving force of the historical transition from capitalism to socialism.

*Property*—historically determined form of human relations concerning the appropriation and use of material values, primarily the means of production.

*Rate of profit*—the ratio of surplus-value to the whole of the advanced capital, which shows the profitability of a capitalist enterprise.

*Rate of surplus-value*—the ratio of surplus-value to variable capital, which shows the degree of the exploitation of labour-power.

*Relations of production*—social relations between people taking shape in the process of the production, distribution, exchange and consumption of material values.

*Relative worsening of the proletariat's condition*—a worsening of the condition of the working class as compared with the growing wealth of the bourgeoisie, a reduction of its share in the national income, in the national wealth and a corresponding increase in the share of the exploiter classes.

*Reproduction*—the process of social production viewed in its incessant renewal, including the reproduction of the social product, the relations of production and labour-power.

*Slaveholding mode of production*—history's first social mode of production based on the exploitation of man by man, under which the means of production and the labourer himself (the slave) are the property of the slaveowner.

*Social division of labour*—performance of separate activities in the society by definite groups of people.

*Socialism*—the first, or lower, phase of the communist socio-economic formation.

*Socialist emulation*—a method of raising labour productivity and the efficiency of social production through the ever more creative initiative of the working masses and their growing awareness of the whole people's interests in augmenting the social wealth.

*State-monopoly capitalism*—a coalescence of the bourgeois state and monopoly capital, which uses the power of the state machine to multiply its profits, suppress the revolutionary working-class and national liberation movements, unleash wars of conquest, and fight against the forces of peace and socialism.

*Superstructure*—all the ideological views and relations (politics, law, ethics, religion, philosophy, art), and also the corresponding organisations and institutions (state, parties, church, etc.) which rise above the economic basis and correspond to it.

*Surplus-product*—the part of the aggregate social product created by the labour of the direct producers over and above the necessary product.

*Surplus-value*—the part of the value of commodities produced at capitalist enterprises which is created by the unpaid labour of the wage-workers over and above the value of their labour-power and which is appropriated by the capitalists without compensation.

*Surplus-value, absolute*—surplus-value obtained through a lengthening of the working day as a method of intensifying the exploitation of the workers by the capitalists.

*Surplus-value, excess*—the extra surplus-value appropriated by an individual capitalist when

the individual value of a commodity produced at his enterprise is lower than the social value of that commodity.

*Surplus-value, relative*—surplus-value obtained through a reduction of the necessary labour-time and a corresponding extension of the surplus labour-time, which is one of the methods of intensifying the exploitation of wage-labour by the capitalist.

*Unemployment*—an inevitable phenomenon under capitalism, where a section of the able-bodied population is deprived of jobs and of the means of subsistence, turning into a reserve army of labour.

*Use-value*—the usefulness of a thing, its capacity to meet certain requirements either as an article of consumption or as a means of production.

*Value*—the social labour of commodity producers embodied in a commodity, that which is common to all commodities and serves as the basis for an equation of commodities in the course of exchange, making them commensurable.

*Variable capital*—the part of capital which is used to buy labour-power and which changes its magnitude in the process of production.

*Vulgar bourgeois political economy*—unscientific

economic theories whose main purpose is defence of capitalism and struggle against existing socialism, the international working-class and national liberation movements.

*Wage-labour*—the labour of the workers at capitalist enterprises, who are deprived of the means of production, are obliged to sell their labour-power, and are subjected to exploitation.

*Wages under capitalism*—a converted form of the value and price of the commodity labour-power which on the surface of things appears as payment for labour.

*Wages under socialism*—the monetary expression of the main part of the necessary product created at the whole people's enterprises which goes into the working people's individual consumption in accordance with the quantity and quality of their labour in social production.

*Working day*—the part of the day during which the working individual works at an enterprise or institution.

*World socialist economic system*—all the national economies of the socialist countries closely linked together by all-round economic, scientific and technical cooperation, international socialist division of labour, and the world socialist market.

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