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Karl Marx's Vision of the Future: The Experiences of the Past and the Opportunities of Modernity

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Table of Contents

Introduction	6
Part I: From the End of History to the Revival of Communism.....	13
1.1. Socialism on the Verge of Downfall: What Statistics and Reality Bring	14
1.2. Francis Fukuyama on the End of History and the Beginning of the Worldwide Liberal Revolution	16
1.3. The Obscure Disaster of 1989 and Wendy Brown’s Diagnosis of Left Melancholy....	20
1.4. Surpassing Left Melancholy and Searching for a New Beginning in the 21 st Century.	24
1.4.1. Antonio Negri’s Approach to the Idea of Communism: Communism as the ‘Desire of the Multitude’	26
1.4.2. Alain Badiou’s Communist Hypothesis: Communism as the ‘Desire of the Philosopher’	28
1.5. The Proposal of Jodi Dean for Revitalizing Communism: Mobilization Through Negation and Desire	32
1.6. Philosophical Communism: Some Remarks on Concept and Practice	34
Part II: A Possible Reconstruction of Karl Marx’s Vision of Communism... 	35
2.1. Marx’s Idea of Communism: An Intentionally Underdeveloped Conception	36
2.2. Marx’s Critique of Utopian Socialism and Communism in the Light of Mankind’s Future	36
2.3. The Materialist Conception of History and Marxian Communism.....	40
2.4. Marx’s Early Thoughts on Post-Capitalism: Communism as the Philosophical Conception of the Elimination of Alienation	44
2.5. Communism as the Historical Mission of the Proletariat: The Claims and Demands of <i>The Communist Manifesto</i>	52
2.6. The Drafts of <i>Capital</i> and the Marxian Critique of Bourgeois Political Economy.....	56
2.7. What There is to Know About the Centralization and Concentration of Capital?.....	61
2.8. The Post-Capitalist Mode of Production as an Economy of Time.....	66
2.9. Coordination and Cooperation in the Post-Capitalist Economy	69
2.10. The Two-Stage Structure of the Post-Capitalist Society in Marx’s <i>Critique of the Gotha Program</i>	71
Part III: Chapters from the History of the Socialist Calculation Debate	76

3.1. From War Communism to the Formulation of the Rational Economic Calculation Argument: Preludes for the Socialist Calculation Debate.....	77
3.2. Ludwig von Mises’s Rational Economic Calculation Argument against Socialism	83
3.3. Socialist Concessions to the Market during the Interwar Period and Oskar Lange’s Model	91
3.4. Friedrich Hayek’s Early Contribution to Socialist Calculation Debate	96
3.5. Reflections on the Outcome of the Socialist Calculation Debate of the 1920s and 1930s	104
3.6. An Unexposed Critique of Marxian Political Economy from the Eastern Block	109
3.7. General Concerns on Market Socialist Models from the 90s.....	115
3.8. The Idea of Central Planning Reloaded: Towards 21 st Socialism with Supercomputers	120
3.9. Contemporary Critiques of Socialist Central Planning in the Light of the Modern Austrian Calculation Argument	129
Conclusions and Implications	139
Bibliography.....	143

Introduction

Today's society lives in a world of conflicts and crises, in times, when everyday lives are surrounded and affected by disquieting phenomena and alarming tendencies. Modern terrorism poses a global threat to civilization, nations around the globe are struggling with an escalating migration and refugee crisis, while the negative impacts of the worst economic depression since the 1930s, the harmful effects of the Great Recession of 2008 continue to take their toll and strongly contribute to the worldwide tendency of rising inequalities, as this has been highlighted by French economist Thomas Piketty's thought-provoking and controversial grand study, *Capital in the 21st Century*.

One of the most worrisome consequences of the unsettling global situation is the emergence and recuperation of political radicalism from the extreme right to the far left to the detriment of moderate politics. As an aftermath of lasting political and social crisis since 2008, of weak recovery and economic depression, of populist backlash against political and intellectual elites, radical critique of the capitalist system has come to the fore along with the issue of finding viable alternatives to capitalism. Desperation accompanied with feelings of anxiety and the desire for drastic change have driven the masses to seek for radical alternatives to the current insecure state of affairs. Correspondingly, in recent years, many have shown interest and rediscovered Karl Marx's critical social, economic and political theory alongside with the 19th-century philosopher's vision of a communist or socialist alternative to capitalism.

Taking into consideration the renewed and growing interest concerning the works of Marx in the past few years, this study focuses on his views on the post-capitalist future. How did Marx imagine the social and economic order after mankind exceeds capitalism? Is the realization of socialism even possible on the grounds of a Marxian political economy? What does Marxian socialism offer for curing the maladies of modern capitalist societies? Is there any relevance of Marx's radical project of social transformation in this century?

The main objective of my thesis is to provide answers to these questions by offering a comprehensive account of how Marx envisaged the future after capitalism.

The main idea is to reveal that, apart from political activism, Marx considered that overcoming capitalism depends on the all-embracing socialist transformation of the capitalist economy. To prove this statement I find it necessary to outline an essential debate regarding the problem of feasible socialism as a matter of political economy. The one that is known as the socialist calculation debate which still has an influence on the discussion of feasible socialism and rational economic planning to this day due to the recent contribution of socialist theorists committed to central planning. Additionally, the findings of the current research attempts to contribute to the present popular and academic discourse on what the contemporary relevance of Marxian socialism is by taking into account the experiences with ‘actually existing socialism’ as well as other attempts in history that formally aspired to establish and sustain a viable and competitive system to capitalism on the basis of Marx’s ideas on post-capitalism.

Rather than getting involved in the never-ending discourse that centres around to what extent ‘actually existing socialism’ realized and implemented Marx’s original postulates on post-capitalism, my work offers a possible reconstruction of Marxian socialism based on the critical analysis of those texts and fragments from his vast and incomplete oeuvre that deal with the socialist future. My aim is to enlighten what are the opportunities of those radical social and political movements that have recently been rediscovered Marx’s ideas and think it is possible to transform capitalism through his economic proposals.

As the reconstruction and analysis of Marxian socialism and the exploration of the problem of feasible socialism required an interdisciplinary approach my research has been carried out within an eclectic theoretical framework that covers various scientific disciplines and fields of study. It encompasses philosophy, economics and history while maintaining the major focus on the history of socialist political and economic thought. It is important to clarify that this work should neither be regarded as a manual of the socialist transformation of capitalism, nor as a guide to realizing those goals Marx has set up and/or introduced as initiatives in his works in which he discussed the socialist project of transforming capitalism. It is more of a companion to Marxian socialism dedicated to those who pursue alternatives, call for the necessity of exceeding capitalism or inquire about the perspectives of changing the current state of affairs under the flag of Marx’s disputed legacy. It also serves as an introduction to the problem of feasible socialism; an introductory work that reveals and advances our

understandings of Marx's post-capitalist vision. Moreover, it offers insight to those main difficulties that Marx followers have to take into account when they call for replacing capitalism with the Marxian socialist economy and society.

To date, Marxists were rather involved in concentrating on the present than discussing what comes after capitalism. In the Marxist tradition more attention was paid to capitalism than to socialism; analysing, comprehending and criticizing the current order of things enjoyed priority to the detriment of evaluating political, economic proposals for exceeding capitalism and establishing a socialist system. Until this default is not remedied and no viable alternative to capitalism is developed there is no realistic prospect in their desire for changing the capitalist status quo. Taking careful note of the prevailing interest in changing the capitalist system, my investigation opens up new fields for the discussion of the problem of feasible socialism by indicating that besides a certain collective resolve that provides revolutionary momentum for transformation, replacing capitalism with socialism is a politico-economic question if one bears in mind Marx's corresponding statements.

The renaissance of Marxian critical theory and socialist vision of the future is yet another interesting turn in the history of left wing thought. The first of the three major parts of my dissertation reflects upon the twist that brought back the idea of communism into life after the breakdown of the Soviet experiment with socialism. The investigation begins with the evocation of a former and rather negative turn in history regarding the strength and influence of the communist idea. Statistical evidence of different quality from theorists with diverse backgrounds, namely Joshua Muravchik and János Kornai, indicate that in reality the socialist project of alternative political, social and economic organization to capitalism globally reached its horizon in the middle of the 80s, when socialist leadership ruled and governed nearly one third of the entire population of the planet. However, only a few years later changes in the realm of 'actually existing socialism' markedly weakened the strength of the global position of the socialist alternative. Reflecting upon occurring changes in the late 80s and 90s, Francis Fukuyama formulated his end-of-history thesis and envisaged an unstoppable worldwide liberal revolution while left-wing thinking which did not break up with Marx's ideas on socialism was in a sufferable condition. With the hindsight of ten years, in 1999, British theorist Wendy Brown came up with a unique explanation incorporating philosophical, political and psychological analysis that focused on the crisis of the Left after the global-scale failure of Soviet-type socialism.

Referring to Walter Benjamin's meditation on 'left melancholy' and Sigmund Freud's thoughts on melancholy, Brown aimed to demonstrate that left-wing thinking had fallen into a melancholic state in the beginning of the 90s which kept its perspectives from moving forward and leave behind the demons of its controversial past. Brown's conception and analysis has recently been overwritten by Jodi Dean, who asserted at a conference exclusively dedicated to the idea of communism in 2011 that the left has started to overcome its former melancholic state with the new-born 'desire of communism' as a result of the recent crisis of capitalism and a noticeable collective demand of the masses for fundamental change in the name of equality and emancipation. Hence, the closing sections of the first part of the thesis focus on Dean's notion of the 'desire of communism', which the American political theorists articulates as a synthesis of the philosophical conceptions of two mainstream radical left-wing thinkers, Alain Badiou's and Antonio Negri's differing, yet somewhat similar views on communism. The aim of the corresponding final sections is to introduce Dean's theory of communist desire along with Badiou's and Negri's ideas on communism and point out the limitations of such philosophical interpretations of communism in the light of the forthcoming chapters which deal with the development of Marx's ideas on communism.

The second part of the thesis attempts to present Marx's outlook of post-capitalism in detail with the intention to reveal that from these works born in the 19th century emerge a more pragmatic and practical image of the future after capitalism than from those conceptions that the forenamed advocates of philosophical communism introduced. It explores the theoretical development of Marx's ideas on communism from the post-Hegelian conception of the *Economic and Philosophic Manuscripts of 1844* to the two-phase theory of post-capitalism presented in the 1875 *Critique of the Gotha Programme*. The exploration opens with demonstrating why it is problematic to give a comprehensive account of Marx's vision of communism and it also puts forth the Marxian critique of utopian socialism. After revealing that one of the main reasons why Marx refused to extensively discuss his vision of the future was the scientific scepticism of utopian phantasms the forthcoming section provides a critical examination of the essential features of Marx's materialist conception of history relating to his ideas on socialism. The critical analysis of historical materialism is based on David Ramsay Steele's examination of Marx's historico-philosophical theory and points out that instead of referring to the doctrines of the

Marxian materialist conception of history, the discussion about feasible socialism should focus on the political economy of the post-capitalist society. As the reconstruction of Marxian socialism takes into consideration and pays attention to the development of Marx's thoughts on post-capitalism, the *Economic and Philosophic Manuscripts of 1844* is the first work to be examined, where communism appears as the philosophical idea of the elimination of alienation through 'the positive transcendence of private property'. After that I turn to *The Manifesto of the Communist Party* which incontestably demonstrates that around 1848 Marx permanently withdrew from his early Hegel-influenced ideas and regarded communism as the historical mission of the proletariat, which is destined to put an end to capitalism with a revolution that brings forth the socialist transformation of the capitalist economy. Due to the crush of the revolutions of 1848/49 rather than continuing revolutionary activism, Marx put more efforts in elaborating his scientific project of the critique of bourgeois political economy. The long-term project of the critical examination of capitalism and the analysis of bourgeois society from a politico-economic point of view culminated in 1867 with the publication of the first volume of *Capital*. Correspondingly, the following section surveys his course to completing the first volume of *Capital* with the attention to those previous texts on political economy (*The Poverty of Philosophy*, *Outlines of the Critique Political Economy* and *A Contribution of the Critique of Political Economy*) which are regarded as drafts to Marx's major economic work. Subsequent to the presentation of the key features of the Marxian critique of bourgeois political economy follows the introduction of the political economy of socialism supplied by the content of his voluminous *Capital*. The contents of the three volumes of *Capital* outline the contours of a centrally planned socialist economy which Marx claimed to be more effective and rational than capitalism. After displaying the outlines of Marx's non-market and moneyless socialist command economy, which abolishes private property, together with the division of labour and performs economic calculation in labour time, the closing section of the second part of the thesis focuses on a text in which Marx explicitly discussed how the economy and society of socialism is set up. The aforementioned text is the *Critique of the Gotha Program* from 1875 in which Marx divides the development of communism into two specific stages.

The third part of the dissertation concentrates on the socialist calculation debate. With consideration to the substantial number of reviews carried out on the

topic by the finest scholars of economic thought, my survey only exhibits the main arguments of those theorists who got engaged in the debate and had a major influence on the progress of the discourse, which still cannot be considered closed. My overview also includes some references to those actual events in the history of the last century that shaped the discourse. The consensus is that the calculation debate broke out with Ludwig von Mises's 1920 paper *Economic Calculation in the Socialist Commonwealth* in which he reasoned that socialism without private property, market and monetary prices is a logical impasse, an "abolition of rational economy" (Mises 1935: 110). Before highlighting the original rational calculation argument it is crucial to mention some central theses of Mises's contemporaries, namely the remarks of Max Weber and Boris Brutzkus who were influenced by the historical experiences and theoretical concepts of war economies of the beginning of the 20th century and also refuted socialism on a similar basis than their Austrian economist. The reconstruction of Mises's line of argumentation against socialism followed by the account of early market socialist attempts, including Oskar Lange's competitive market socialist model, which intended to raise the Misesian challenge. The following theme is Friedrich Hayek's epistemological information-argument against socialism which intended to demonstrate that the socialist alternative to capitalism is not a logical impossibility, but a practical impasse due the centrally planned system's incapacity to acquire and make use of knowledge required for economic calculation. Afterwards the evaluation of the socialist calculation debate of the 20s and 30s is being carried out, which alludes to the defeat of the Austrian adverts of capitalism, whose arguments seemed to be disproved not only theoretically by Lange's model, but by the reality of the Soviet experiment with central planning. Despite the fact that the Soviet system did not collapse and even made some achievements which contradicted the Austrian prognosis on the prospects of socialist central planning, reforming the overcentralized socialist system became more urgent from the beginning of the 50s. In the post-Stalin era, Soviet leadership became aware of the urgent need of reforms and tried to amend the malfunctions of 'actually existing socialism' by liberalizing its overcentralized political and economic system. When highlighting the desperate and illusory project of liberalizing and decentralizing state socialism in the Eastern bloc, I also pay specific attention to a rather unexposed Hungarian critique of Marxian political economy from the 70s, namely the polemic piece of Bence György, Kis János and Márkus György. One of the final sections of

the thesis contains some remarks on market socialism, which came to the centre of attention in the beginning of the 90s when socialist central planning no longer seemed to be an option for developing an alternative economic system to capitalism. The critical examination of market socialism through David Ramsay Steele's analysis is followed by the presentation of Paul Cockshott's and Allin Cottrell's proposal for central planning with modern computer technology as a 21st-century project for replacing capitalism with socialism. The limitations of Cockshott's and Cottrell's plan for computerized socialist central planning is shown in the light of the modern Austrian argument formulated in the late 80s, while the introduction of Geoffrey Hodgson's recently published paper at the end of the thesis reveals some of the limitations of the socialist calculation debate.

From the investigation that has been undertaken, it is hoped to conclude that contrary to the expectations of those who (re)discovered Marx and his ideas on post-capitalism it is not a promising opportunity to break away from the current system and install a new social, economic and political order in the 21st century on the basis of the Marxian politico-economic proposal of socialism.

Part I

From the End of History to the Revival of Communism

1.1. Socialism on the Verge of Downfall: What Statistics and Reality Bring

Both theoretically and practically it is extremely challenging to give an unequivocal and indisputable answer to the complex question of when socialism potentially was at the height of its power in the 20th century. Even answers and explanations based on statistics are often proven to be loose or rather misleading, and their scientific relevance is debatable, due to their strong political and ideological overtone. This is the case for the book on the history of socialism written by Joshua Muravchik, in which, relying on statistics presented in the appendix of the work (Muravchik, 2003: 355-358), the neoconservative American political theorist and former fellow at the George W. Bush Institute declares that 1985 was the “year during which the largest number of countries was governed by socialists” (Muravchik, 2003: 355). He leaves the impression that over that period socialism exerted a dominant influence and control over the planet like it had never done before.

Muravchik believes that socialism is a profane religion, which queries the existence of gods and angels. Nevertheless, he asserts that socialism has not just its ‘own mystical elements’, but its peculiar prophets, namely Marx and Engels, whose unique contribution for the expansion of socialist theory was that they “replaced experimental socialism with prophetic socialism, and claimed thereby to have progressed from utopia to science” (Muravchik, 2003: 352). He also reasons that the common objective of socialism was to create some sort of a worldly paradise, however “from New Harmony to Moscow, from Dar es Salaam to London, the story of socialism was the story of a dream unrealized, a word that would not be made flesh” (Muravchik, 2003: 330). By consulting the chart shown in the book’s appendix, one could easily come to the conclusion that based on the number of those social formations, whose political leadership was somehow committed to the idea of socialism at the time, the historical project of socialism arrived to the top in 1985, when approximately one third of the World’s total population lived under socialist leadership.

Muravchik applies the term ‘socialism’ in order to provide convincing data to underline his claims with serious negligence. Without giving preliminary criteria for classification, not only does he allude to dictatorial single-party states, like the USSR,

North Korea, Romania or Albania, but also mentions in the chart democracies as Sweden, France or New Zealand, where social democrats were in charge of government at the time. In addition, he notes ‘Third World Socialist’ states like Venezuela, Iraq or Zaire, whose economies were principally collectivistic or strongly plan-based, furthermore they had a close relationship with the USSR and gained support from the Soviet empire, moreover they could be considered as dictatorships regarding their governmental form over the examined period. This broad categorization, which Muravchik uses to provide statistical ‘evidence’ for his claims to condemn socialism, serves no other purpose than to make readers believe that in general, the history of socialism was, almost without exception, an “unbroken record of disappointment” (Muravchik, 2003: 330), which is now belong to the past.

Compared to Muravchik’s statistics the table that lists socialist countries in János Kornai’s immense study on the socialist system is scientifically more convincing. Kornai makes the aspects of classification clear from the start by emphasizing that the table only lists those communist countries “where the Communist party was in power for a fairly long period (at least a couple of years)” (Kornai, 1992: 4). The fundamental idea of Kornai’s book, “which runs as a leitmotif through all the chapters” (Kornai, 1992: 4), is that even though socialists countries had their own specific characteristics, “they are all members of a broader, clearly identifiable class of social-political-economic systems” that he calls as “the socialist system” (Kornai, 1992: 5). To clarify his statement Kornai conjures up a biological analogy and he tries to identify the ‘system-specific’ features of those countries that belong to the same ‘species’ of socialist countries: “Just as the individual members of a biological species differ from one another while remaining members of it, so the various socialist countries differ while remaining members of the same species of systems. Clarifying the nature of this species of systems, describing and explaining theoretically the main characteristics of this class of systems, is the subject of this book. In the parlance of this book, these common phenomena and common properties are referred to as *system-specific*” (Kornai 1992: 5).

From the given data Kornai deduces that during the 20th century, according to the number of socialist countries that belonged to the same species of social system on the basis of their system-specific characteristics, socialism was in the meridian of its

glory between 1980 and 1987.¹

Kornai's statement is even more interesting in the view of the fact that less than a decade later, in the beginning of the 90s the global situation changed from its core. Despite what statistics may indicate, that socialism was more powerful than ever, in reality, the star of socialism was steadily fading away all around the globe. By 1989, it was becoming more and more evident to the outside world and even for those who were living behind the crumbling walls of the Soviet bloc, that the political and social-economic trend in the countries of actually existing socialism could not continue to fulfil the threatening role of being a serious competitor to capitalism and function as an indicator of societal development and progress in the future.

The so-called socialist countries systematic propaganda preached that the actual form of socialism existent in the countries of the Soviet bloc corresponds to Marx's vision of the future afterwards mankind surpassed capitalism. The downfall of this gargantuan and revolting venture of social, political and economic organization, which lasted for more than four decades in Eastern Europe and for almost a century on the Eurasian continent, created a new world order. With the steady decline of the socialist system, leaving behind a few renegades, markedly different single-party states for the after-ages² the odds did not seem in the favour of socialism any longer.

1.2. Francis Fukuyama on the End of History and the Beginning of the Worldwide Liberal Revolution

At that time many intellectuals with different background reflected upon the minor geopolitical changes, searched and provided answers to what is the world-historical relevance of those events, particularly the end of state socialism that marked the end of the 80s (see Elliot 2008). One of the most popular explanations was provided by Francis Fukuyama, who announced the end of history, first in an essay published in 1989, then in the best-selling magnum opus on modernity, *The End of History and the*

¹ Or in Kornai's more cautious words "the socialist family of systems reached its greatest extent in the period 1980-87" (Kornai 1992: 5).

² Like China with its hardly definable mixed economy, Vietnam with its socialist-oriented market-economy, Cuba whose economy from time to time is on the verge of collapse and depends on external assistance, and finally North-Korea, where the economy is centrally planned, and one of the most exhaustive and anti-egalitarian social systems existing in our times, the songbun hierarchy determines life and death.

Last Man. Samuel P. Huntington's former pupil explicitly declared that the ideological and sociocultural evolution of humanity had come to a close with the end of the Cold War and the downfall of actually existing socialism.

Fukuyama claimed that communism cannot be considered as an alternative to capitalism any longer. His thought-provoking theorem from the late 80s and 90s still seems to haunt the communist Left in our times as it is evoked by Slavoj Žižek, who came to realize in 2009 the following:

It is easy to make fun of Fukuyama's notion of the End of History, but most people today *are* Fukuyamaean: liberal-democratic capitalism is accepted as the finally found formula of the best possible society, all one can do is to try to make it more just, tolerant, etc. [...] A simple but pertinent question arises here: if liberal-democratic capitalism obviously works better than all known alternatives, if liberal-democratic capitalism is, if not the best, then the least bad form of society, then why do we not simply resign ourselves to it in a mature way, even accept it wholeheartedly? Why insist, against all hope, on the communist Idea? (Žižek 2010: 211-212).

In order to understand Žižek's dilemma, it is considerable to outline the main premises of Fukuyama's argument. My thesis is merely limited to presenting the prognosis of Fukuyama on the future of communism and I am not attempt to deal with the reception or the critical examination of his theory, which was flayed at the time by numerous authors "across the political spectrum, from Samuel Huntington to Eric Hobsbawm, or from Bernard-Henri Lévy to Jacques Derrida" (Elliot 2008: 40). Furthermore, the following, non-exhaustive, yet concise display of Fukuyama's prognosis will designate the context of the problem evoked in the 1999 paper by Wendy Brown, who made an effort to give a unique account on the identity crisis of the Left committed to anti-capitalism, communism and Marxian ideas after "the 'obscure disaster' of 1989" as Žižek called it later (Žižek 2010: 210).

Fukuyama reasons that "the final form of human government" (Fukuyama 1992: xi.) is liberal democracy and his concept explicitly challenges the Marxian philosophy of history. Fukuyama's concept is founded on Hegelian principles, more properly on Russian-born French Hegel-interpretor and philosopher, Alexandre Kojève's reading of the Hegelian history of philosophy: "His interpretation of *The Phenomenology of Spirit*, foregrounding the master-slave dialectic, extrapolated the

‘struggle for recognition’ that furnishes the motor of history on Fukuyama’s reading of it” (Elliot 2008: 40). Just like Hegel, Marx was also concerned that human history is not an accidental, incomprehensible and infinite process. Both Marx and Hegel believed in the systematic development of history and social progress, which can be understood rationally if one observes the seemingly obscure acts and arcane constellations from the proper perspective. As Fukuyama adequately pointed out, one and the other supposed that “the evolution of human societies was not open-ended, but would end when mankind had achieved a form of society that satisfied its deepest and most fundamental longings” (Fukuyama 1992: xii.).

The Fukuyamaean prognosis of modernity calls into question the Marxian scenario about history and civilization which declares that communism is the final accord of historical and social development. He is committed to the idea that different socialistic-communistic societies in geographically, environmentally, demographically and culturally diverse areas of the World could not develop further and compete with capitalism after they reached a certain level of development. He declares that it is historically proven that the maximum potential of centrally planned socialist economies, in almost all cases, associated with an oppressive political system, corresponds circa to the level of industrialization in Western Europe around the 50s. Command economies are simply incapable of creating complex post-industrial economies, “in which information and technological innovation play a much larger role” (Fukuyama 1992: xv).

Conducted upon Marxist-Leninist ideological principles, socialist central planning meant a considerable alternative to capitalism after the Second World War, and in the 60s or even in the 70s and mid-80s for underdeveloped Third World countries, mostly because “it offered a quick route to capital accumulation and the ‘rational’ redirection of national resources into ‘balanced’ industrial development” (Fukuyama 1992: 98). However, Fukuyama argues, by the end of the 80s, it became obvious for the leaders of socialist countries that Marxist-Leninist socialism was a serious obstacle to the creation of wealth and a modern technological civilization” (Fukuyama 1992: 98).

Fukuyama states that the communist idea of social, political and economic organization completely lost its credibility by the beginning of the last decade of the 20th century. Systems in which the socialist idea manifested somehow were only sustainable by terror, and when state violence loosened its grip, the state lost its power

and control over society. The autocratic states of the communist Left seemed to be strong and powerful on the outside, but beyond the surface they proved to be weak and vulnerable and they were suffering from the “twin crisis of authoritarianism and socialist central planning” (Fukuyama 1992: 42).

According to Fukuyama’s theory of history, the socio-organizational program of communism arrived to the point, in the beginning of the 90s, that it could no longer compete with liberal democracies and free market economies. Correspondingly, by 1989 the struggle between diverse ideologies has come to a close. He does not deny that no more minor nor major, dangerous or less harmful events, including wars and conflicts will occur in the future. He rather insists that the confrontation between opposite and conflicting ideologies has finally come to an end with victory of liberal democracy, “the doctrine of individual freedom and popular sovereignty” (Fukuyama 1992: 42). Human history entered the stage from which there is no return: from then on, there could not be any serious obstacles that would hold back the ‘worldwide liberal revolution’.

Back in the 90s, Fukuyama’s vision of the worldwide revolution of liberal ideas did not sound like an obscure prognosis. What former Soviet-type societies went through in the period of transition, as well as global economic and political trends, seemed to underline his hypothesis. Notwithstanding, it would only lead to negligent and superficial explanations to simply label this process as the triumph of neoliberalism. The main reason it is advisable to stay clear of the term is because it has become, sans exaggeration, merely a curse word in the vocabulary of populist leftist and right-wing politicians and theorists by now. These political hazards, whose power strengthened after 2008, almost everywhere around the globe, particularly in those countries which were mostly affected by the serious consequences of the recession, prefer to use this label any time they want to give a simplistic account, with anti-Semitic overtones, on what irresponsible governmental activity, social and economic policy led to the crisis.

However, it is hardly debatable that liberal capitalism marked its presence in Eastern-European economies that had just escaped from the trap of state socialism and central planning. These awakening economies were limitedly accessible for global capitalism in the period of state socialism, but after they built down the walls of socialism had the opportunity to enter the global market. In different ways, the former Eastern European allies of the USSR restored capitalism after experiencing state

socialism; the transition was not a uniform process³ and there were not only straightforwardly positive scenarios regarding its outcome. However, the essential goal in every distinct case was to catch up with Western capitalism in productivity and living standards, and this target seemed unreachable without cutting back the preponderance of the state in national production and electing democratic governments, which supported the capitalization and the liberalization of economy.

The democratically elected governments of the once authoritarian states were politically as different as the economic and social transition itself, yet each of them accepted to some extent free market capitalism and put into practice liberal economic doctrines. The politicians who took part in the democratic decision-making generally favoured market economy run freely without state regulation instead of state intervention and distribution. What they preferred and the effectual economic policy was particularly closer to the ideals of Friedrich Hayek and Milton Friedman than to Keynesian economic doctrines on the welfare state.

As for Western developed countries, markedly in the United States and the United Kingdom, the practically successful economic policy, which was theoretically based on the doctrines of Hayek and Friedman, chiefly intertwined with the political movement of neo-conservatism under the Reagan and Thatcher administration. Reaganite and Thatcherite capitalism, which Kenneth R. Hoover identified as conservative capitalism, was exceeded by the fundamentally capitalistic and fiscally conservative, yet socially more responsible Third Way politics of the Clinton-Blair era, which were prevalent till the beginning of the new Millennium, when the September 11 attacks and the wars on Afghanistan and Iraq created a completely new geopolitical and global economic situation, which drastically changed yet again due to the financial crisis of 2007 and 2008.

1.3. The Obscure Disaster of 1989 and Wendy Brown's Diagnosis of Left Melancholy

³ For example in Hungary, the key to capitalization was the process of 'privatization' which basically meant the extension of the private sector at the expense of the public sector by selling out state-owned enterprises, companies, businesses, properties, goods, while Czechoslovakia and Bulgaria printed vouchers that represented shares in state-owned enterprises that could be bought by any citizen.

Generally, in the beginning of the last decade of the 20th century, the anti-capitalist Left committed to communism and Marxian ideas experienced great loss, and consequently went through an identity crisis, which was related to the failure of the Soviet experiment with socialism and the restoration of capitalism in the former Soviet sphere of interest. During the period of its existence, the Soviet Union – putting aside all the crimes against humanity committed in the name of socialism by Maoist China, the Kim dynasty in North Korea, the Khmer Rouge in Cambodia, Fidel Castro’s Cuba etc. – discredited and disgraced the egalitarian, humanist and emancipatory idea of Marxian socialism. Thus no wonder, it left behind ruins after its downfall, its past and legacy was unsupportable for left-wing intellectuals and assisted to the epochal crisis of left-wing thinking once again.

We could bring forward countless examples of how people once committed to Marxian ideas, Marxism and left-wing radicalism reacted all over the World to those trembling events that were connected to the fall of socialism. The bad break of the Soviet experiment with the realization of an alternative system better functioning than capitalism lead to a crisis in radical left-wing thinking which variously manifested itself; politically, economically, socially and emotionally. The symptoms of the crisis were distinctly traceable in the political sphere. Many individuals formerly committed to the radical Left or who sympathized with Marxist/Marxian ideas lost their faith and denied socialism. Plenty of those who had believed or had pretended to believe in Marxist-Leninist ideology switched sides by adopting anti-socialist, anti-Marxist ideas and started to support right-wing political parties. Others tried to prove desperately that the USSR had nothing to do with the ideal and that many individuals, formerly committed to the Left or sympathized with Marxist/Marxian ideas, lost their faith and denied socialism. In general, the Left suffered from an apparent diminution of its political power and the crises after the fall of ‘actually existing socialism’, seriously questioned and stigmatized Marx’s ideas and his legacy.

In 1999, Wendy Brown published a short study that explores the devastating and crushing intellectual state of the Left as the effect of what Žižek called ‘the obscure disaster of 1989’. Her analysis leans on the account of cultural theorist Stuart Hall who asserted that the main cause of the crisis of the Left back in that period was not by virtue of “the clever rhetoric or funding shames of the Right” (Brown 1999: 19) or the split between the “academic and activist Left” (Brown 1999: 19). Rather Hall identifies the causes of the crisis in the Left’s incapability “to apprehend the

character of the age and to develop a political critique and a moral-political vision to this character” (Brown 1999: 19).

Accepting the claims made by Hall, Brown argues that the growing popularity of the right at the expense of the Left is not a cause, but a symptom of the crisis, and she also queries that the main source of the current troubles of the Left is the widening gap between the intellectual and politically active sides of the movement.

Why is the Left incapable of revival? What is the major burden that lies heavily on left-wing tradition and clogs both the ‘academic’ and ‘activist Left’ to get rid of the past and enter into the 21st century refreshed and reformed? How could the Left recover from its identity crisis? Brown suggests that in order to find answers to these alarming questions one would have to explore what self-deceptive delusions, fears and anxieties drifted the Left into crisis. According to Brown, the crushing state of the Left showed a resemblance to the symptoms that Walter Benjamin diagnosed with the term ‘Left melancholy’ for the Left at his time in the Weimar Republic.

Walter Benjamin first introduced the term in 1931 in the critical essay, entitled *Left Melancholy* in which he criticized the work of the respected poet, novelist and journalist of the Weimar Republic, Erich Kästner. In his critical review, Benjamin calls the poetry of Kästner to account for its pseudo-leftism. Benjamin believes that the works of Kästner are mediocre from an aesthetical point of view. They have a mournful, melodramatic and melancholic tone, their popularity and success is associated with the reign of the bourgeoisie, and they satisfy “those who are most remote from the process of production and whose obscure courting of the state of market is comparable to the attitude of a man who yields himself up entirely to the inscrutable accidents of his digestion” (Benjamin 2005a: 426).

What Benjamin attempts to express is that the melancholic lyricism of Kästner is a representation or manifestation of general leftist intellectual trend, and accordingly, the critique extends beyond aesthetics and possesses both political and social relevance.

Benjamin reasons that while Kästner apparently gives an honest and genuine portrayal of the miserable conditions of the working class he simply makes a commodity out of the misery of the proletariat and transforms revolutionary ideas into consumer products in reality. Intellectuals like Kästner and other left-wing publicists as Franz Mehring and Kurt Tucholsky turned leftist ideas into “objects of distraction, of amusement, which can be supplied for consumption” (Benjamin 2005: 426). They

gave up on the revolutionary transformation of the capitalist system and moved away from the labour movement, became adjusted to the market, betrayed the working-class by turning out to be conformists and compromised with the bourgeoisie, with “people in their higher income bracket, those mournful, melancholic dummies who trample anything and anyone in their path” (Benjamin 2005a: 426).

Brown extends Benjamin’s critique and applies the term Left melancholy for providing a general description of the current status of the Left. Brown suggests that this melancholic condition is a reaction to some arcane or unconsciously suffered loss, which is “contemporarily signified by the terms *Left, socialism, Marx or movement*” (Brown 1999: 22). To reinforce the statement, Brown calls for the help of Sigmund Freud whose psychoanalytic theory sophisticatedly postulates a solid difference between the state of melancholy and mourning. In his 1917 meditation on melancholy and mourning Freud reasoned that both conditions could be considered as a reaction to sorrowful loss, a response to the loss of a love object, yet the two have significant difference as well: “The melancholic displays something else besides which is lacking in mourning – an extraordinary diminution in his self-regard, an impoverishment of his ego on a grand scale. In mourning it is the world which has become poor and empty; in melancholia it is the ego itself” (Freud 1953: 246).

One of the key distinguishing features of the constant state of melancholy, which clearly discerns this condition from mourning, is that the loss cannot be identified concretely as in the case of mourning; the loss that the melancholic has to cope and get over with is even unknown, something of ‘a more ideal kind’. The object that the melancholic loved and was once was attached to perhaps not passed away actually, “but has been lost as an object of love [...]. This would suggest that melancholia is in some way related to an object-loss which is withdrawn from consciousness, in contradiction to mourning, in which there is nothing about the loss that is unconscious” (Freud 1953: 245).

Freud reveals that the pathologic symptoms of melancholy and mourning are quite similar; the individual shows explicit signs of disinterest to the outside world and his or her self-esteem goes down. However, the melancholic patient experiences the trauma as a distortion of his or her self-image or as an identity crisis which manifest in grievous self-blame and self-complaint. The overcoming process of melancholy is always accompanied with a necessary conflict in one’s self, but compared to mourning, this procedure is more struggling or laborious, because an

individual does not have to tackle an exterior loss of an object, but one has to get over and cope with the loss of an essential component of his or her identity.

Brown thinks that melancholy was creeping over the Left in the beginning of the 90s, which led them to believe that the radical critique of capitalism was pointless and unworthy, because there was no hope in fundamentally changing the current liberal status quo. The sense of melancholy had a paralyzing effect; it destabilized and incapacitated left-wing thinking and political activism to vitally move forward and exploit its residing potentials.

This melancholic 'state of desire' went hand in hand with the adaptation of a self-destructive backward-looking attitude. Suffering from melancholy, the Left has become attached to its sinful past with feeling guilt and regret, while questioning or even rejecting the traditional values. Considering the future, Brown called for the break with the Left's "melancholic and conservative habits" to regain its critical and visionary spirit again. In her opinion, this spirit "embraces the notion of deep and indeed unsettling transformation of society", and she asked those left-wing thinkers and political activists to think over "what kind of political and economic order can we imagine that is neither state-run nor utopian, neither repressive nor libertarian, neither economically impoverished nor culturally grey" (Brown 1999: 26).

1.4. Surpassing Left Melancholy and Searching for a New Beginning in the 21st Century

Nearly ten years after the publication of Brown's paper on the identity crisis of the Left, unforeseeably, radical left-wing thinking seemed to recover from its former melancholic state, which called into question the relevance of her diagnosis for today. The reactivation or revitalization of radical left-wing thinking and the renaissance of Marx and his theory of communism, were in terms of political thought one of the major consequences of the broadest crisis of capitalism ever since the Great Depression in the 1930s.

In the autumn of 2011, the most popular and influential contemporary theorists of radical left-wing thinking gathered in New York to share their thoughts at a

conference, entitled *Communism: A New Beginning*.⁴ In the line of the New York's conference keynote speakers, the name of Jodi Dean can be found, who gave a lecture on the contemporary relevance of Wendy Brown's Left melancholy theory.

Dean praised Brown's Freudian analysis, by which, she thinks that Brown had given a valuable account of a "particularly Left structure of desire" (Dean 2013: 81) ten years ago. On the other hand, if one takes into consideration how much it stands for the Left today, Dean claimed that Brown's diagnosis does not prove to be valid any longer. She asserted that ten years ago, Brown congruously described the contemporary state of Left as melancholic; on the contrary, nowadays one can witness the dissolution of the melancholic structure of Left desire thanks to the recent 'reactivation of communism' or, the reappearance of communism on the future horizon, which in Bruno Bosteels words effects "a complete shift in perspective, or a radical ideological turnabout, as a result of which capitalism no longer appears as the only game in town and we no longer have to be ashamed to set our expecting and desiring eyes on a different organization of social relationships" (Dean 2013: 89).

The significant shift from the melancholic, backward-looking and self-guilty period of the past to its promising and hopeful present state, whether directly or indirectly, implies to a late and certain change of the public perception of capitalism. Concretely speaking, after the clash of 2008 more and more people, especially those whose lives were directly affected or struck by the harmful consequences of the Global Financial Crisis, started wondering maybe capitalism is not the one and only available option to organize and run a society in these modern times, in opposition to what Fukuyama forecasted in the early 90s.⁵ Practically from the beginning of the

⁴ This was not the first time that the vanguard intellectuals of radical left-wing thinking, Alain Badiou, Slavoj Žižek or Étienne Balibar, just to name a few, hold a symposium to discuss current issues related to the communist alternative to capitalism. The international New York symposium was the third major event in the series of conferences dedicated to the philosophical concept and political implication of the 'idea of communism': the first was held in London 2009 and focused on Alain Badiou's philosophical theory of communist hypothesis, while the second took place in Berlin one year later.

⁵ Soon after the publication of *The End of History* and following the criticism it prompted, Fukuyama more and more frequently accentuated that critics had misunderstood his 'theory of modernization'. For instance, he wrote the following in the afterword of the 2006 edition of his book: "One misunderstanding I do want to clarify [...] concerns the very widespread misapprehension that I was somehow arguing for a specifically American version of the end of history [...]. Many end of history to be a brief for American hegemony over the rest of the world, not just in the realm of ideas and values, but through the actual exercise of American power to order the world according to American interests. Nothing could be further from the truth [...], the European Union is a much fuller real-world embodiment of the concept than is the contemporary United States" (quoted in Elliot 2008: 35-36).

crisis an increasing demand for critical social theory and political practice was emerged, which not only shed light on the blunders, shortcomings, failures and injustices of current capitalism, but also called for the fundamental transformation or the complete abolition of the system. More and more people began to question the legitimacy of the existing capitalist system and seek radical leftist alternatives and a new, young and rebellious generation became interested in radical social theories and currently looks for alternatives to capitalism under the aegis of emancipation and humanism. This gave new confidence to the contemporary Left which now instead of sorrowfully looking back to the past, attends the future with hope and enthusiasm.

Dean attempts to understand this phenomenon, which she refers to as the ‘reactivation of communism’, by concerning a distinct structure of desire, in her words, the ‘desire of communism’. She commences with an ostensibly vague concept of communist desire by stating that at present, one could get around to the rethinking of communism in two ways: as the ‘desire of the multitude’ and/or the ‘desire of the philosopher’.

1.4.1. Antonio Negri’s Approach to the Idea of Communism: Communism as the ‘Desire of the Multitude’

Dean’s idea of ‘communist desire’ as the ‘desire of the multitude’ originates in the concept of Italian Marxist political thinker and sociologist, co-author of the renowned and popular academic work on postmodern imperialism, *Empire*, published in 2000. Negri’s unique anti-state, yet not anarchistic interpretation of the notion of communism is inspired by the ethics of Baruch Spinoza and the thoughts of Gilles Deleuze. He defines communism as a productive desire that comes into conflict with capitalism. Principally, it is a productive and collective desire, the desire of a multitude of singularities “that organizes into anti-capitalist power (force), not formally, as a party, a mature and accomplished organization, but, by virtue of its existence, as a resistance that is stronger and better articulated the more the multitude is a *whole of singular institutions* in itself” (Negri 2010: 162).

Negri mentions a variety of lifestyles altering capitalism and different forms of struggle and resistance, like industrial sabotage and riots, which express the revolutionary will of breaking up with the dominance of the capitalist state. He also

asserts institutionalized forms of resistance and alternatives of democratic governance, economic and union organizations, strikes, etc. Generally Negri assigns and applies the term of the 'multitude' without strict constraints: he refers to the term as "a totality of desires and trajectories of resistance, struggle and constituent power" (Negri 2010: 163.), while he also declares that it can be understood as a group or totality of institutions, "that takes on different political compositions time after time and in relation to the tenor and vicissitudes of the of power relations" (Negri 2010: 162).

In *Communism: Some Thoughts on the Concept and Practice* Negri stated that time after time, in different political formulations, a collective force comes to existence against capitalism. This force is constituted by the common will or desire of a multitude of individuals or, in Negri's words, singularities, whose mutual aim and commitment is to resist and combat against capitalism, and, in the name of communism, build a new world "where the exploitation of capital and subjection to the State are eliminated" (Negri 2010: 160). If this multitude could jointly take action in order to fight against the injustices of capitalism the more success they will achieve if they take actions in institutionalized forms, which calls for the radical rethinking of democracy "as the common management of the common" and "developing new forms of common coexistence in resistance and organization the constituent power of communism" (Negri 2010: 164).

From Negri's standpoint, communism is not just a possibility for the unknown future, but it is closer than one would think. It has already been revealed in some way under the dominance of capitalism; "not as an end, but as a condition; it is a development of singularities, the experimentation of this construction and – in the constant wave of power relations – it is tension, tendency and metamorphosis" (Negri 2010: 163). So Negri believes that communism potentially came to existence in our times in some kind of a transitional and experimental form of free association of the many oppressed whose needs and interests are diverse, however they mutually refuse the individualism and solitude of capitalism, and share the same desire of struggling against and commonly transforming the system in hope for a better future. What they want is not a new social contract which declares "everything is everyone's and thus belongs to no one" (Negri 2010: 164), but a new democratic common management of what is common, a social organization that is based on the principle that "everything, as it is produced by everyone, belongs to all" (Negri 2010: 164).

1.4.2. Alain Badiou's Communist Hypothesis: Communism as the 'Desire of the Philosopher'

What about Dean's other suggested approach to communist desire, according to which one has to understand the 'desire of communism' as the 'desire of the philosopher'? It is inspired by the communist, yet not Marxist French philosopher, Alain Badiou, who defines communism as a philosophical idea with a regulative function, in his words: "communism is what Kant called an 'Idea', with a regulatory function, rather than a program" (Badiou 2008: 99). For Badiou communism is the pure and absolute idea of equality and theorizes the communist hypothesis as a transhistorical variant, which has its own historical background and narrative: "[The communist hypothesis] has no doubt existed in a practical state since the beginnings of the state. As soon as mass action opposes state coercion in the name of egalitarian justice, we have the appearance of rudiments or fragments of the communist hypothesis" (Badiou 2008: 100).

Badiou suggests that concerning political modernity two major sequences in the history of the absolute idea of communism could be identified. The first main sequence in the era of the communist hypothesis began with the French Revolution and lasted till the end of the Paris Commune. By and large, Badiou dates this period from 1792 to 1871 and claims that it was the moment when communism became a mass popular movement, whose overriding aim was to seize power under the flag of the revolution: "The object was to organize the popular movement, in multiple forms – demonstrations, strikes, uprisings, armed actions, and so on – in preparation for an overturn, evidently meaning an insurrectional overturn such as went by the name of 'revolution'" (Badiou 2008: 106). This revolution would suppress the form of society (private property, inheritance, the division of humanity into nations, the division of labour, and so on) and establish communist equality, or what those working-class thinkers analysed so well by Jacques Rancière called the 'community of Equals'" (Badiou 2008: 106). He also thinks that a particular revolutionary class, the burgeoning working class played the leading role in this popular movement, which broke down finally the Ancien Régime, and this revolutionary movement, led by the proletariat, accomplished itself in the government of the Paris Commune, whose

defeat also meant the end of the first great historical sequence of the communist hypothesis. Badiou believes that the radical socialist government of the Paris Commune was a remarkably novel political constellation of “popular movement, working-class leadership and armed insurrection” (Badiou 2008: 106). In his opinion, the political formula proposed and implemented by the Paris Commune showed an incredible vigour, because it was capable of setting up and run effectively “a new type of power for two months, in one of the great capital cities of Europe, with the internal support of many foreign revolutionaries, particularly Poles, which showed the strength of the Marxist concept of the International” (Badiou 2008: 106-107). Nevertheless, the fact that the Paris Commune “was unable to give the revolution a national scope” (Badiou 2008: 107), thus resist and survive the military offense of the international counterrevolutionary forces, showed the weakness of this specific formula of political authority.

After the defeat of the Paris Commune, forty years had passed until the second great sequence of the communist hypothesis began. Badiou considers the period between the end of the Paris Commune and the First World War as an interlude or interval phase: “[the sequences of the communist hypothesis] are separated by intervals in which it is by no means the communist hypothesis that is dominant [...]. It is then declared that this hypothesis is untenable, even absurd or criminal, and has to be abandoned” (Badiou 2008: 112). The interval period was characterized by the dominance of bourgeois imperialism, which led to the First World War in the end.

After all, Badiou sets the Russian Revolution of 1917 as the starting point of the second major sequence in the history of the communist hypothesis, and asserts that the termination of the Cultural Revolution in China, as well as the decline of the movement of 1968 in Europe, designates the end of the period. The second period theoretically proved to be much more complex than the first sequence. Badiou suggests that “[d]uring the second sequence, the problem was no longer the existence of a popular working-class movement acting on the basis of the communist hypothesis, nor was it the generic idea of revolution in its insurrectionary form. The problem was that of victory and duration. We can say that it was no longer a question of formulating the communist hypothesis and experimenting with it, but rather of realizing it” (Badiou 2008: 107-108).

Badiou names Karl Marx as the key figure of the former period, who laid down “the philosophical foundation of the sequence to Germany (the Hegelian

dialectic), and its scientific turn to England (the birth of political economy)” (Badiou 2008: 105), while he also “assigned its actual political content, in order of practice, to France (the French workers’ movement)” (Badiou 2008: 105). However the most important theorist of the second sequence was Lenin, whose work of 1902, *What is to Be Done?* became the catechism of the victorious party-guided communist revolutions. Correspondingly, the most genuine formation, or as Badiou calls, it ‘the characteristic construction’ of the sequence that commenced after the Russian Revolution of 1917, was the ‘centralized and homogenous’ communist party. According to Badiou, everywhere around the globe, from Russia to Cuba, yet differently, where a communist revolution prevailed, it was led by a party, whose structure, discipline and operating principles were all constructed along the lines of Lenin’s vanguardist concept and Bolshevik doctrines of party organization and political activism. By adopting and implementing the Leninist views and method to realize the communist hypothesis “a complete revolution in the political and social order was accomplished under the leadership of communist parties, by insurrection or protracted people’s war, and endured in the form of what has been called the ‘socialist state’. After the first sequence, which went under the sign of the formulation of the communist hypothesis and its reality as a movement, there was then this second sequence, under the sign of its disciplined and military organization, its local victory and its duration” (Badiou 2008: 108-109).

Although it could resolve the problems that the communist movement had to face with in the first sequence,⁶ state socialism was not able to realize adequately neither the communist hypothesis. More than fifty years after the Russian Revolution of 1917, the final chapter of the second great sequence of the communist hypothesis has begun, with the protests of May 1968 and the Cultural Revolution in China. The goals, which both movements set for themselves was to free the communist movement from party and state dominance, to recreate and revitalize the movement by decentralization and by taking it back to its mass origin, to the people. Badiou points out that in China it was indispensable “to steep the party in the mass movement

⁶ Besides the solution for the problem of how to organize effectively the popular movement under the sign of communism for gaining long-term victory, Badiou also mentions the positive results in the fields of education, healthcare, public safety and “everyday ideology (the formal valorisation of working people)” (Badiou 2008: 109) along with the achievements of party-state socialism. However, he concludes that in general, the party was just “appropriate for insurrectionary or military victory over weakened reactionary powers” (Badiou, 2008: 109).

in order to regenerate it, to de-bureaucratize it, and launch it on the transformation of the real world” (Badiou 2008: 110). Maoist China’s ‘creative transformation of the communist hypothesis’ developed under the doctrines of Mao Zedong, who declared that there is no such thing as communism without a communist movement, and that the enemies of communism lurk inside the Communist Party itself. Instead of praising Maoism and the Maoist Cultural Revolution Badiou points out that the Chinese attempt of radical decentralization soon escalated into chaos and violence at the end of the 70s, and finally “the old order had to be re-established in the worst conditions.” (Badiou 2008: 110).

The other creative effort to reformulate the communist hypothesis in the middle of the last century did not result in long-term success either. The main purpose of the French movement of 1968 were to generate a new political space and to avoid replicating the state’s overly centralized authority; socially diverse groups, workers as well as intellectuals, became involved in the political movement that advocated “new forms of organization and action” (Badiou 2008: 110). These diverse social groups shared the same political vision, and, in Badiou’s logic, their movement “proposed to make the communist hypothesis endure even outside the logic of the seizure of power” (Badiou 2008: 110-111). Even though the French movement of 1968 did not come to an abrupt and catastrophic end as the Chinese Cultural Revolution, and their experiment continued to affect politics in alternative forms throughout the 70s,⁷ Badiou considers that after more than a decade, at a global level, “the modern form of the reactionary state, capito-parlamentarism, regained its dominance over people’s minds, under cover of ‘democracy’” (Badiou 2008: 111).

Badiou argues that aforementioned events were experiments with transforming, exploring new forms and realizing the communist hypothesis in the past. He suggests that one has to regard the present, just like the period of almost forty years between the defeat of the Paris Commune and the Russian Revolution of 1917, as an interval period. Today, in the 21st century, the main task is to assess and draw conclusions from the ambiguous or rather negative experiences of state socialism, together with the Chinese Cultural Revolution and May ’68, in order to “bring the

⁷ Concretely, the arrival of Nicolas Sarkozy in the French political scene marks the end of the movement. For Badiou, Sarkozy is an obnoxious (political) figure, the Rat Man, whose mere presence in French politics and public life is mischievous, and his series of delegated political acts are “seeking to put an end to May ’68 once and for all” (Badiou 2008: 112).

communist hypothesis into existence in a different modality from that of the previous sequence” (Badiou 2008: 115). He calls for opening a new chapter or sequence in the history of the communist hypothesis, because communism is still the one and only worthwhile and considerable “basis of every emancipatory orientation” (Badiou 2008: 114).

1.5. The Proposal of Jodi Dean for Revitalizing Communism: Mobilization Through Negation and Desire

Dean emphasizes that whereas the conceptions of Negri and Badiou are quite dissimilar, each in its own way implies to “an underlying communist necessity or unavoidability – a kind of communist absolute” (Dean 2013: 90). Both of them theorize communism in terms of desire, and the difference of the two conceptions is just apparent. In Dean’s view their ideas should encourage the Left in the 21st century to realize communism. She synthesizes the two theories of communism in order to reason and justify that the days of melancholy have gone and a new collective desire, the desire of communism has come upon the Left.

The collective desire of communism rests on a lack, or in Dean’s words “depends on a gap, a question, a missingness, and an irreducible non-satisfaction” (Dean 2013: 93). She does not accept that communism is merely a political ideology “that mobilizes negation and revolution” (Dean 2013: 95), which she also think it is true for capitalism. What makes communism different from the subjectification and illusionary cult of capitalist individualism, is that it subjectifies and embraces a collective desire.

Who are the subjects of communist desire and whose collective desire is communism in the 21st century? Dean asserts that the subject of communist desire has to be collective as well, even though one does not have to think of it as “an ensemble or assemblage of individuals” (Dean 2013: 95). It is rather a force that is opposed to capitalist individualism, just like Negri imagined. Furthermore, Dean accepts Badiou’s claims, and therefore argues that the subject of communist desire neither can be a ‘party’ nor the ‘state’. She is also concerned about that in the 21st century, communism is not only the collective desire of the working class like Marx thought, but it is the collective desire of the exploited social classes that have “undergone a

certain proletarianization and destitution” (Dean 2013: 96), and are ready to make a change, because they sense that in capitalism is “something is wrong, something is missing, something is deeply unfair” (Dean 2013: 97).

The object of communist desire has to be a world without oppression or exploitation, an equal, just and free society, where the economic production in common runs in accordance with the real needs of the people and interests of the society. Dean does not think naïvely that one could perfectly describe the ideal world of communism: “Once one starts to describe this perfect world, though it always comes up lacking. Something is missing: What about an end to sexism, racism and egoism? What about an end to social hierarchies? What about religious freedom and the intolerant? What about meanness and bullying?” (Dean 2013: 101). On this basis communist desire may seem impossible to fulfil, however, Dean believes that the feeling of something is missing, the perception that something is significantly lacking must force the oppressed to collectively desire communism.

One of the most compelling system-specific features of capitalism according to Dean is shortage not in an economic sense but in terms of lacking something needed. This shortage, lack or gap is most manifested not in the sectors of the economy, but on the level of politics, particularly in political representation.

Dean suggests that there is a gap⁸ between the people and the government, and no other governmental form, except communism cares about the disconnection: “Authoritarianism, oligarchy, aristocracy, representative democracy, and parliamentary democracy – none of these forms worries too much about the disconnection between government and people. But the disconnect, the gap, matters for communism (and for fascism, incidentally, which deal with the gap by essentializing the people via blood, soil, and the Leader, and attempting to externalize and eliminate the remaining and unavoidable antagonism), particularly because communism is not only an association for governance, but also an organization of production” (Dean 2013: 101). The recognition of the absence, hand in hand with the

⁸ In order to highlight what she means on ‘gap’, ‘division’, ‘lack’, etc., and on the collective subject of communist desire, Dean brings up as an example one of the slogans of the Occupy Wall Street movement: “One of the slogans to emerge with particular power out of the movement to Occupy Wall Street is: ‘We are the 99 per cent.’ Instead of naming an identity, the number highlights a division and a gap – the gap between the wealth of the top 1 per cent and the rest of us. As it mobilizes the gap between the 1 per cent owning half the country’s wealth and the other 999 per cent of the population, the slogan asserts a collectivity and a common. It does not unify this collectivity under a substantial identity – race, ethnicity, nationality. Rather it asserts it as the ‘we’ of a divided people, the people divided between expropriators and expropriated” (Dean 2013: 99).

demand of satisfying it, nourishes and vitalizes the collective force of the desire of communism and determines the current state of the Left after all the years of melancholy.

1.6. Philosophical Communism: Some Remarks on Concept and Practice

One of the major weaknesses and deficiencies of Dean's proposal is that it does not say anything about how and in what measures communist desire could be realized or satisfied. Similarly in this respect neither Badiou's, nor Negri's philosophical conceptions of communism prove to be very helpful. If one understands communism as a transhistorical idea or a universal principle, and therefore accepts that people in our century, struck by serious crises, like in the past, once again want a fundamental change in accordance with their collective desire of communism, it appears that all the aforementioned theorists have nothing else to offer us but the unexplained certainty that communism will succeed capitalism. The practical wisdom on achieving the communist desire that would make Fukuyama's diagnosis and prognosis of modernity invalid remains unclear. Thus, without a concrete and definite social, political and economic program associated to it, communist desire is no more than empty rhetoric, a positive-sounding phrase used cleverly and convincingly in yet another philosophical discourse about the promised land of communism.

Does people who want change have to content themselves with the philosophical speculation of contemporary radical left-wing intellectuals? Is communism nowadays just the anti-capitalist rebellious desire of the victims of capitalism, whose only aim is to revolt without clear objectives for the communist future as the aforementioned theorists of philosophical communism propose? Or, in fact, communism is more than that; could it be understood as a systematic program for building the future in a planned manner? What Marx does offer as an alternative to capitalism? Is it worth to build on his vision of communism in the 21st century?

In the upcoming parts of my thesis I attempt to discuss these questions. First, in the second part I offer a reconstruction of Marx's own vision of communism, while in the third part I intend to analyse the century-long debate of economists, which centred around the problem of feasible socialism and rational economic planning.

Part II

A Possible Reconstruction of Karl Marx's Vision of Communism

2.1. Marx's Idea of Communism: An Intentionally Underdeveloped Conception

Although Marx did not intend to write “receipts [...] for the cook-shops of the future” (MECW 35: 17) he had a certain vision of a society that replaces capitalism through the course of history. From Marx's anthropology, critique of capitalist economy and various theories on history, follows a society, which replaces “the old bourgeois society, with its classes and class antagonisms” (MECW 6: 506) through revolutionary changes. This new form of social organization is communism, which Marx calls “an association, in which the free development of each is the condition for the free development of all” (MECW 6: 506).

How should one imagine Marx's communist society, which inevitably succeeds capitalism? What are the means of feasible socialism? After breaking the rule of bourgeoisie and thus seizing to political power, what should the victorious proletariat do to set up the new social system? Do the new ruling class need to carry out anything concrete in order to achieve communism, or history will take care of everything? What exact political and economic measures are necessary for realizing the future that Marx envisaged? Did he make a blueprint of communism at all and leave it for posterity?

In general, no more than a few texts from Marx's voluminous oeuvre deal with post-capitalism or communism. It looks as though Marx neither intended to give concrete instructions or develop a systematic conception on how to overthrow capitalism and build-up communism.

2.2. Marx's Critique of Utopian Socialism and Communism in the Light of Mankind's Future

Marx held himself aloof from supplying guidelines to his visionary objectives on purpose. One of the reasons was that he wanted to differentiate his scientific theory from the unscientific and speculative programs of former utopian socialist thinkers, like Charles Fourier, Henri de Saint-Simon or Robert Owen.

For Marx, the ideal social organizations of mankind envisaged by Fourier, Saint-Simon and Owen, have not much to do with reality. He was certain that “such fantastic pictures of future society” (MECW 6: 515) are ideal constructions based on ethical ideas and desire to transform current capitalism according to preconceptions about what is good and beneficial for mankind.

However Marx did not completely despise the work of these utopian visionaries and underlines their positive contribution to the burgeoning movement of the proletariat. In the *Critical-Utopian Socialism and Communism* chapter of the *Communist Manifesto* he claims that utopias are products of an era when the proletariat was in an underdeveloped state, thus had merely “a fantastic conception of its own position, correspond with the first instinctive yearnings of the class for a general reconstruction of society” (MECW 6: 515-516). Moreover, he adds that early socialist and communist utopias were revolutionary in their time and served an important function: they fiercely criticized the system and thus “they are full of the most valuable materials for the enlightenment of the working class” (MECW 6: 516). In Marx’s view utopian socialists somehow apprehended that there are antagonisms in capitalism and somewhat recognized that those forces that are about to dissolve the system. But this does not imply that their observations and their conclusions were precise and correct, not to mention that they left any kind of self-activity of the working-class, any kind of specific political movement of the proletariat out of account from their works.

Marx also accuses utopian socialists and communists that their conceptions on the future are no more than “the propaganda and the practical carry out of their social plans” (MECW 6: 515). Furthermore, they believe falsely that they stand superior to class conflicts and while they aim to help the proletariat class, they want to appeal to the entire society, especially to the ruling bourgeois class, because from their social and financial status the bourgeoisie is the most capable of understanding and supporting new proposals.

Yet another problem with utopian socialism is that it ignores the importance of political activism. Marx thinks that these conceptions place way too much emphasis on individual wisdom and insight, based on the belief that the planned future must be reasonably convincing and appealing to the men of intellect.

In the *Manifesto* Marx mocks utopian socialists and has not better opinion on them than on those socialist intellectual and political movements that he label

‘reactionary’ and ‘conservative’ in the former chapters of the pamphlet. He is certain that such utopian conceptions, which blindly trust in the power of understanding are “necessary doomed to failure” (MECW 6: 515) and those who became possessed by these ‘new social Gospels’ could expect nothing but disappointment. He has the impression that in his days the alleged Fourierists in France and Owenists in England still defend the original phantasm and initial views of their masters with tooth and nail. Therefore they overlook and disregard the historical development of the proletariat and the increasing class conflicts, which proceed conjointly with capitalist economic and social progress. Instead of focusing on these phenomena, which have crucial importance in determining and shaping the future, they keep on dreaming of the “experimental realization of their social Utopias, of founding isolated ‘phalansteres’, of establishing ‘Home Colonies’, or setting up a ‘Little Icaria’ – duodecimo editions of the New Jerusalem – and to realize all these castles in the air, they are compelled to appeal to the feelings and purses of the bourgeois” (MECW 6: 516).

In sum, from the passages of the *Manifesto*, one could conclude that Marx disapproved that communism is feasible through following a scenario or a program that is founded upon normative or ethical principles. He rather thought that the seeds of the future society are sown in the present. The following lines from *German Ideology* clearly fortify my statement: “Communism is for us not a stable state which reality will have to adjust itself. We can call Communism the real movement which abolished the present state of things. The conditions of this movement result from premises now in existence.” (MECW 5: 49)

From the Marxian critique of utopian socialism it does not follow that Marx did not believe that communism is the desirable condition for mankind. On the contrary he thought that communism is more desirable than the present state of affairs, however in putting forward this demand he was not driven by ethical norms and beliefs, but guided by political economic considerations, which he saw as the scientific method of reasoning. Essentially, Marx’s thoughts on communism should mainly be analysed and evaluated in terms of political economy, rather than in terms of ethics.

Even so according to one of the most common critiques, communism predicted by Marx and Marxists is nothing but a utopian prophecy. In the vocabulary of this simplifying Anti-Marxist reasoning the term utopian has a pejorative meaning

and connotation used interchangeably with the notion ‘unfeasible’ for stating that ‘Marxian communism is unfeasible, thus utopian’, and vice versa, ‘Marxian communism is utopian, thus unfeasible’.

My opinion is that it is not appropriate to claim that every conception, proposal or program that presents and speaks about the formation of a desirable future which is strikingly diverse than the present state of affairs is an unrealistic phantasmagoria. When judging such conceptions it is important to take into account that suppositions and prognostics on the future, with altering scientific credibility, many times differ from each other in the extremity of the conclusions drawn. For example, Fourier reasoned in *The Theory of Four Elements* that due to technical and scientific development, when “the human race has extended the cultivation of the globe beyond sixty degrees north” (Fourier 1996: 47) seas will have the similar taste to lemonade. He also wrote that wild animals, like lions will serve humans and when the world’s population reached the number of three thousand million, “there will normally be 37 million poets equal to Homer, 37 million geometricians equal to Newton, 37 million dramatists equal to Molière” (Fourier 1996: 87). Extreme visions and extravagant statements also occur in Marxian texts on communism; for example in *the German Ideology* it is stated that when production is regulated by the society as a whole, individuals will have the opportunity “to hunt in the morning, fish in the afternoon, rear cattle in the evening, criticize after dinner [...] without ever becoming hunter, fisherman, herdsman or critic” (MECW 5: 47). These visions of Fourier and Marx most likely make smile those who read them more than one and a half centuries after they had originally been written. On the other hand, let us not forget that many of those achievements that mankind acquired in the 20th century, like the technological advancements in production, telecommunication and healthcare, may have sounded as utopian for the people of the 19th century as the ideas of Fourier and Marx for us now.

With all this, it is remarkably challenging to set objective criteria that could help us to make a compelling decision about which futuristic prognosis should deserve the credit to be scientifically valid and thus taken seriously. Generally, the source of reliable judgment does not belong to the present, but exclusively to the future. Many ideas on the future seem as a utopian dream, but this does not mean that one must rule out the possibility that the unknown future will prove the ambitious utopian thinkers’ right and realists wrong. Therefore, I do not find it a reliable

argument against Marxian communism, that it is non-feasible due to its utopian character.

2.3. The Materialist Conception of History and Marxian Communism

It is also worth considering the words of David Ramsay Steele, who noted in his book, *From Marx to Mises: Post-Capitalist Society and the Challenge of Economic Calculation* that Marxists commit a bigger mistake when instead of being utopian they bring up scientific arguments for communism by turning to Marx's materialist conception on history. Historical materialism is a controversial and problematic theory on history, but it provides a comfortable position for its advocate like it is reflected in the confidence of Georgi Plekhanov's who declared, writing in the name of his fellow Bolsheviks, that "we, indeed, know our way and are seated in the historical train which at full speed takes us to our goal" (Plekhanov 1974: 338).

Historical materialism not only encourages deterministic thinking but it is incomplete and incoherent. It was interpreted, refined and challenged by many Marxist and Non-Marxist thinkers, from the theorists of the Frankfurt School's Critical Theory, to French philosophers as Louis Althusser, Pierre Bourdieu, Gilles Deleuze, and members of the September Group, like Gerald Allen Cohen, Jon Elster, Erik Olin Wright and John Roemer (see Bidet and Kouvelakis 2008).

As a matter of fact Marx himself not even referred to his conception of history as historical materialism. It was well after his death, as part of the global spread of Bolshevik and Soviet-type Marxism during the 1920s and 1930s, that he became praised and recognised as the founding father of the materialist science of history, known as historical materialism (see Jones 2016: 191-194).

In his paper of 1885, *On the History of the Communist League* Engels recalled that when he first met Marx in Paris on the summer of 1844 his fellow compatriot and later comrade "had already fully developed his materialist theory of history in its main features" (MECW 26: 318), but this account is rather misleading than truly covering the truth (see Jones 2016: 191). Marx has never developed a consistent theory on history he heterogeneously referred to alienation, class antagonism, productive forces and production relations as the core engines of advancement in history. Of these assumptions Engels and many Marxists tried to make a homogenous conception after

Marx died. In doing so they kept on turning to the 1859 preface of *A Contribution to the Critique of Political Economy*, in which Marx seemed to give a clear formulation of his materialist conception of history. The most famous and quoted brief passage from the 1859 preface is the following:

In the social production of their existence, men inevitably enter into definite relations, which are independent of their will, namely relations of production appropriate to a given stage in the development of their material forces of production. The totality of these relations of production constitutes the economic structure of society, the real foundation, on which arises a legal and political superstructure and to which correspond definite forms of consciousness. The mode of production of material life conditions the general process of social, political and intellectual life. It is not the consciousness of men that determines their existence, but their social existence that determines their consciousness. At a certain stage of development, the material productive forces of society come into conflict with the existing relations of production or — this merely expresses the same thing in legal terms — with the property relations within the framework of which they have operated hitherto. From forms of development of the productive forces these relations turn into their fetters. Then begins an era of social revolution. The changes in the economic foundation lead sooner or later to the transformation of the whole immense superstructure (MECW 29: 263).

In this passage, Marx appoints the antagonism of productive forces and relations of production as the driving force behind progress in history. This process is not everlasting; communism will dissolve the antagonism between productive forces and relations of production which is the necessary outcome of movement in history.

Marxists who accept the doctrines of historical materialism argue that it would lead only to pointless and equivocal speculations to describe in details how the communist future will look like. Instead they focus on the present and examine those trends that point into the direction of the inevitable future. Their approach to communism is appropriately described by Steele, who wrote that “the attitude of those Marxists who want to work for their goals without exposing what they exactly want to achieve, is similar to the engineers who longs for building a bridge, but bizarrely could not show up a blueprint of their architecture until it has been already built.” (Steele 1992: 353).

Steele reminds that if someone has a certain vision about the future, one should describe in depth how it is feasible; this is the minimum requirement of scientific

discourse, which is missing from the arguments for communism based on the premises of historical materialism.

On the basis of historical materialism dogmatic Marxists tend to refer to communism as an unerring certainty for which mankind does not have to make serious efforts in order to obtain it, just like it is needless to do anything to give rise to the next total solar eclipse, besides waiting for it to happen. Apart from its strong determinism, it is a problematic conception for other reasons as well. In Steele's words it "rests on the preconception that there is some limited sphere of life unproblematically identifiable as 'economic' or 'production'" (Steele 1992: 357). It tends to explore every human activity from an economic perspective, while it is not very convincing to state that "there is no clearly distinguishable 'economic' realm separate from human action in general" (Steele 1992: 357). However historical materialism regards and examines all human actions from an economic viewpoint therefore describe church service or a court trial as a production process, which is nonsense as it is argued by Steele (Steele 1992: 357).

In addition, historical materialism is an inflexible theory. It assumes that relations of production, are unable to change without getting into conflict with productive forces. Steele notices that Marx did not show just cause for this argument thus two additional premises are required to sustain its claims (Steele 1992: 358). First it has to be assumed that people are not capable to stop the course of history and maintain the persisting social relations instead of drifting with the development of productive forces. Second, it needs to be accepted that because the bond between productive forces and production relations is inseparable it is not possible to introduce changes in the relations of production and transform them completely otherwise than through the development of forces of production. Now, the affirmation of these premises leads to the affirmation that people always establish relations of production in conformity with the current level of development of the productive forces. This implies that producers and planners always predict correctly which constellation of productive relations match to the next level of development of the productive forces. In addition, they also foresee that in the future which relations would get into conflict and encourage the further progress of the forces till their antagonism ceases to exist in communism. In conclusion, historical materialism requires the acceptance of additional premises which contradict common sense, if Steele's argumentation is correct.

Steele does not doubt that history provided evidence for social relations change due to the development of productive forces: “No one would ever dispute that a change in the forces may sometimes lead to changes in the relations, and that these may lead to changes in the rest of the society” (Steele 1992: 360). Even so Steele argues that it cannot be ruled out that changes in the legal and political superstructure could exert influence on the productive forces, or it could affect productive relations independently. To refute historical materialism is sufficient to find one exemplar event, which proves that relations of production changed independently from the development of the forces, or the superstructure transformed without the modification of production relations. Steele brings about the example mentioned by Roland Cohen, from his 1978 treatise, *State Origins: A Reappraisal* (Steele 1992: 361). Cohen did not deny the role that industrial modernization, economic development and technological progression played in the compound process of genesis of nation states. On the other hand, he noted that there is no clear evidence for why one should argue, on the basis of historical materialism that the formulation of states was solely and necessarily a response or a reaction to the development of technology or production. For historical materialism, warns Steele, it is a totally indifferent question whether Cohen’s is right or wrong. The verdict had been delivered well before the evidence was introduced: Cohen’s argument cannot be valid even if it conforms to reality, because it contradicts the schema of historical materialism. Must we reconcile ourselves with the contradictory rigorouslyness of historical materialism? Do we have to exclude the possibility that unpredictable political events, conflicts between opposing alliances of interests or sudden wars may affect the development of the forces, or changes the constellation of the persistent productive relations, or modifies the superstructure, or, by chance, causes a mixed or comprehensive effect? Is it a serious argument that behind the Indian caste system’s genesis and thousands of years of existence lays the exclusive bond of productive forces and production relations? In agree with Steele that historical materialism could not provide reasonable answers to these questions.

In conclusion I believe that those who seek reasonable arguments for (Marxian) communism should turn down historical materialism and look for other more convincing arguments to justify and strengthen their cause. In point of a fact Marx’s case on communism does not even require the support of historical

materialism, rather it calls for an investigation and discussion about the political economy of socialism as he exposed it.

2.4. Marx's Early Thoughts on Post-Capitalism: Communism as the Philosophical Conception of the Elimination of Alienation

Initially Marx did not approach communism from the perspective of political economy, rather mainly from a philosophical point of view, which creates a sterling breeding ground for those kinds of more philosophical and less practical interpretations of Marxian communism which we have seen from Badiou, Negri and Dean. Notwithstanding, Marx applies a political economic approach and the terminology of political economy permeates the passages dealing with communism, especially in the *Economic and Philosophic Manuscripts of 1844*, which text is considered to be the rupture between the 'young' Hegelian Marx and the 'mature' Marx as a social scientist by Gilles Deleuze.

Communism comes to the fore in many sections of the *Manuscripts* most markedly in the chapter, where Marx approaches the subject from the perspectives of abolishing private property. Regarding Marx's early ideas on communism the most informative section of the *Manuscripts* is the *Private Property and Communism* chapter. In this section of the *Manuscripts* Marx discusses three different forms of communism, which come into view as possible options to put an end to the many injustices and dehumanising effects of capitalism, most importantly the alienation of the individual from (i.) the outcome of his work and from (ii.) the act of production, in addition, the estrangement of the individual from (iii.) the human species, and from (iv.) fellow human beings.

Marx's statements over the estrangement of man from (i.) the product of his work can be traced back to another proclamation of the *Manuscripts*, which lived later on in the Marxist tradition as one of the fundamental laws of capitalism: "The worker becomes all the poorer the more wealth he produces, the more his production increases in power and size" (MECW 3: 271-272). For Marx from the primary factors of production neither land nor capital goods creates value, it is labour alone that does. In the capitalist mode of production the worker does not produce and creates value for his own good, but for those who had taken possess of the means of production. As a

return to labour proletarians receive wages while the product of their work thrive the fortune of the bourgeoisie: “The product of labour is labour which has been embodied in an object, which has become material: it is the objectification of labour. Labour’s realization is its objectification. Under these economic conditions this realization of labour appears as loss of realization for the workers; objectification as loss of the object and bondage to it; appropriation as estrangement, as alienation” (MECW 3: 272).

If man is alienated from the product he produces, (ii.) the act of production itself becomes estranged. The worker is not able to master or to exercise control over production, which is degraded into a monotonous and never ending sequence of repetitive motions: labour becomes impersonal and the worker is no more than a tool or a cog in the wheel: “What, then, constitutes the alienation of labour? First, the fact that labour is external to the worker, i.e., it does not belong to his intrinsic nature; that in his work, therefore, he does not affirm himself but denies himself, does not feel content but unhappy, does not freely develop his physical and mental energy but mortifies his body and ruins his mind. The worker therefore only feels outside his work, and in his work feels outside of himself. He feels at home when he is not working, and when he is working he does not feel at home. His labour is therefore not voluntary, but coerced; it is forced labour.” (MECW 3: 274). Marx thinks that the estrangement from the act of production sinks humans to the level of animals. When they follow their human function they act in conformity with their animal functions and this act is no different from the practice that animals exert in order of reproduction and self-sustainment.

Capitalism also alienates human individuals from (iii.) their own species. In Marx’s view our ‘species-essence’ (*Gattungswesen*) is productive activity, the capability to produce our means of subsistence.⁹ “Man is a species-being, not only because in practice and in theory he adopts the species (his own as well as those of other things) as his object, but – and this is only another way of expressing it – also because he treats himself as the actual, living species; because he treats himself as a

⁹ In the *German Ideology* Marx more explicitly sets out his philosophical and anthropological views on the essence of our species: “Men can be distinguished from animals by consciousness, by religion or anything else you like. They themselves begin to distinguish themselves from animals as soon as they begin to produce their means of subsistence, a step which is conditioned by their physical organization. By producing their means of subsistence men are indirectly producing their actual material life” (MECW 5: 31).

universal and therefore a free being” (MECW 3: 275). Capitalism alienates individual life from the life of the species and estranges the life of the individual from the purpose of human nature, which is not simply about creating objects for sustaining existence, but rather the realization of our innate and intrinsic universal potentials as individuals who belong to the human race.

Last but not least, Marx asserts that capitalism deforms and poisons personal human relations as the individual becomes alienated from (iv.) his fellow human beings. According to Marx if the masses alienate themselves from one another, they bolt themselves in their own atomistic world, and regard others as alien beings: “When man confronts himself, he confronts the other man. What applies to a man’s relation to his work, to the product of his labour and to himself, also holds of a man’s relation to the other man, and to the other man’s labour and objects of labour. In fact, the proposition that man’s species-nature is estranged from him means that one man is estranged from the other, as each of them is from man’s essential nature” (MECW 3: 277).

The *Manuscripts* reveal that there is only one configuration of communism which completely annuls all those forms of alienation which pervade the capitalist society. Marx defines this form of communism as “the positive expression of annulled private property” (MECW 3: 294). Before discussing what he means on this form of communism Marx mentions two other possible implementations of communism, which could only lead to the distortion of the grand idea that essentially sets as an objective the complete elimination of alienation through the abolition of private property.

Marx comes up with an imposing philosophical hypothesis, which assumes that the “transcendence of self-estrangement follows the same course as self-estrangement” (MECW 3: 294), therefore communism as the elimination of alienation has to go through a dialectical progress till it reaches its complete form. In the first stage of its development, communism emerges as the simple negation of private property. This incomplete and imperfect type of communism, which Marx refers to as ‘crude communism’, on the one hand, abolishes, but on the other, generalizes private property; it necessarily leads to unsupportable results or consequences. Because of “the domination of material property bulks so large” (MECW 3: 294), the main intention of ‘crude communism’ is to annul everything, which cannot be possessed as a common property or, in other words, as an extension of private property as a

common possession. For the fiercely egalitarian idea of ‘crude communism’ everybody becomes a proletarian, the ‘category of the worker’ does not cease to exist, but applies collectively to every individual, whose one and only purpose is possession in the direct and physical sense. “The relationship of private property persists as the relationship of the community to the world of things” (MECW 3: 294.), for the idea of ‘crude communism’, all its actions and efforts are motivated by envy¹⁰ and every form of individuality, even personality itself is being negated.

Marx brings forward the significant difference and similarity between marriage and the community of women: marriage is an exclusive form of private property under capitalist relations, its direct opposition has to be the community of women. But this is not the appropriate and positive way of the emancipation of women because it does not liberate them from being a property of men or make them equal to them. Under ‘crude communism’ women are solely transformed from a man’s exclusive private property into the common or communal property of all men, they “passes from the relationship of exclusive marriage with the owner of private property to a state of universal prostitution with the community” (MECW 3: 295). As women in general are exploited as common property under ‘crude communism’, likewise in a society where everybody is a wage-labourer, labour is prostituted and exploited by common capital: “The community is only a community of labour and of equality of wages paid out by communal capital – by the community as the universal capitalist. Both sides of the relationship are raised to an imagined universality – labour as the category in which every person is placed, and capital as the acknowledged universality and power of the community” (MECW 3: 295).

The second phase of communism eliminates alienation, but at this level, communism still remains incomplete. This form of communism could manifest in an authoritarian or democratic political movement and realizes the abolition of the state. Compared to ‘crude communism’, ‘political’ or ‘anti-state communism’ is on an advanced level of (theoretical) development, however, essentially it is still infected by the harmful effects of private property and alienation: “In both forms communism

¹⁰ Concerning ‘crude communism’, Marx writes the following on envy: “General envy constituting itself as a power is the disguise in which greed re-establishes itself and satisfies itself, only in another way. The thought of every piece of private property as such is at least turned against wealthier private property in the form of envy and the urge to reduce things to a common level, so that this envy and urge even constitute the essence of competition. Crude communism is only the culmination of this envy and of this levelling-down proceeding from the preconceived minimum” (MECW 3: 295).

already is aware of being reintegration or return of man to himself, the transcendence of human self-estrangement; but since it has not yet grasped the positive essence of private property, and just as little the human nature of need, it remains captive to it and infected by it. It has, indeed, grasped its concept, but not its essence” (MECW 3: 296).

Neither ‘crude communism’ that is marked as the negation of civilization and culture, nor ‘political’ or ‘anti-state communism’ could completely annul alienation. If mankind wants to liberate itself from it, and, to appropriate its human essence, which means that man returns to himself as a human being, whose individual existence coheres with his social existence, then the only option is that form of communism of which Marx gives an elusive and hardly practical philosophical definition: “This communism, as fully developed naturalism, equals humanism, and as fully developed humanism equals naturalism; it is the genuine resolution of the conflict between man and nature and between man and man – the true resolution of the strife between existence and essence, between objectification and self-confirmation, between freedom and necessity, between the individual and the species” (MECW 3: 296).

Communism in its complete and mature form does not destroy all the riches and wealth created and accumulated previously by mankind, nonetheless man will reconnect with their formerly estranged selves, which had become alienated under the rule of capitalist conditions founded on the essence of private property, which is wedded to greed, possession and exploitation among other things. Frankly, ‘the positive transcendence of private property’ may best be grasped or interpreted as the abolition of private property as alienated human nature. Indeed, the *Economic and Philosophic Manuscripts* reveal that private property is more than the expression or manifestation of alienated human nature: “This material, immediately perceptible private property is the material perceptible expression of estranged human life. Its movement – production and consumption – is the perceptible revelation of the movement of all production until now, i.e., the realization or the reality of man. Religion, family, state, law, morality, science, art, etc., are only particular modes of production, and fall under its general law. The positive transcendence of private property as the appropriation of human life, is therefore the positive transcendence of all estrangement – that is to say, the return of man from religion, family, state, etc., to his human, i.e., social, existence” (MECW 3: 297).

Marx explains that private property made people living under capitalism so ignorant and obtuse, that they fully embraced the belief that “an object is only ours when we have it – when it exists for us as capital, or when it is directly possessed, eaten, drunk, worn, inhabited, etc., – in short, when it is used by us” (MECW 3: 300). So, according to Marx, capitalism estranged all human physical and mental senses and reduced them to one, to ‘the sense of having’, which resulted in the transformation of reality: under the rule of the capital only one reality, the artificial and alien reality of objects persists and matters.

In order to better understand Marx’s philosophical contemplation on the dialectical development of the idea of communism, it is worth considering the certain impact of Hegel’s *Phenomenology of the Spirit* on Marx’s aforementioned conception. To firmly expose the Hegelian nexus of Marx’s argument, I turn to Peter Hudis recent analysis on the subject.

In his recent work, *Marx’s Concept of the Alternative to Capitalism* Hudis claims that Marx elaborated his early ideas on communism as the elimination of alienation through ‘the positive transcendence of private property’ by the critical application of the Hegelian dialectic of negativity.

To prove his point Hudis makes a comparative analysis by examining Marx’s entries in the Seventh chapter of the *Manuscripts* on communism together with the one which is known as the *Critique of the Hegelian Dialectic*. In my opinion, Hudis correctly explains that on the grounds of the *Phenomenology of the Spirit* in Hegel’s view every movement is empowered and carried forward by the force of negativity, “the negation of obstacles to the subject’s self-development” (Hudis 2012: 65). Furthermore, Marx explicitly acknowledges the grandness of Hegel’s *Phenomenology* in the *Manuscripts*: “The outstanding achievement of Hegel’s *Phänomenologie* and of its final outcome, the dialectic of negativity as the moving and generating principle, is thus first that Hegel [...] grasps the essence of labour and comprehends objective man – true, because real man – as the outcome of man’s own labour” (MECW 3: 332-333).

On the other hand, he also criticizes Hegel for only apprehending and approving abstract labour, which result from that Hegel’s system employs and conveys too much abstraction so that it is not possible to comprehend really existing social features and structures on its basis. Marx confronts the Hegelian premise that man equals self-consciousness, mainly because he is convinced that this would mean that the alienation of the human being is not an existing social phenomenon, but the

alienation of the human consciousness, some kind of abstraction. Instead of the abstract notion of self-consciousness, for Marx the subject of the dialectical movement is “real corporal *man*, man with his feet firmly on the solid ground” (MECW 3: 336), who becomes alienated in capitalism, but not till the end of times. As the movement continues and history drives forward follows the stage what Marx names as ‘genuine communism’ or ‘the positive transcendence of alienation’, which corresponds the ‘sublation’ [*Aufhebung*] of all forms estrangement through the moment of absolute negativity, the step of the negation of the negation as in the scheme of Hegelian dialectic.

So when Marx writes about different types of communism in the *Manuscripts* he follows the scheme of Hegel’s dialectic of negativity. With this in mind, he argues that capitalism brings into being within itself the elements of its own negation, and features of the post-capitalist society. ‘Crude communism’ abolishes private property, but installs the tyranny of collective property; this form of negation of private property equals to the first negation, the Hegelian category of abstract negation. This moment is a necessary step in the course of the transcendence of private property and the elimination of alienation, however it cannot be considered as the complete effacement of (object) dependencies because, as aforementioned, ‘crude communism’ presupposes what it neglects, namely property itself. No matter if ‘crude communism’ takes a despotic or democratic political form by its essence it is not destined to complete the elimination of alienation. True liberation will be brought forward by genuine communism, which matches up with Hegel’s second negation, the concrete and absolute negation, the negation of the negation (of private property). Genuine communism is more intricate and comprehensive than the negation of private ownership in favour of collective ownership. It is the negation of any form of ownership, the negation, which Marx refers to as ‘positive humanism’ or “the vindication of real human life as man’s possession” (MECW 3: 341).

In Hudis’s view “the critical appropriation of the concept of self-movement through negativity” (Hudis 2012: 73) that enables Marx to introduce a concept of the future, which takes him “far from the positions held by socialists and communists of the time” (Hudis 2012: 73). It reveals that for Marx the surpassing of capitalism and the communist transformation of the society cannot be done by a singular revolutionary political act like dethroning and bringing down the possessors of capital or doing away with private ownership. Rather, based on the corresponding passages

of the *Manuscripts*, Marx's early philosophical idea of communism calls for an ever-changing and permanent revolutionary movement, which aims at the egalitarian and emancipatory transformation of society.

The most disturbing problem of the *Manuscripts* is that its author never let his readers know what concrete or institutional forms the new society after capitalism takes shape, similarly, the course of the revolutionary transition from capitalism to communism remains unknown. Instead, we have abstract definitions, like communism is the "positive transcendence of private property" (MECW 3: 296) or the "totality of human manifestation of life" (MECW 3: 299) as well as high-sounding statements over communism like it is "the necessary form and the dynamic principle of the immediate future, but communism as such is not the goal of human development, the form of human society" (MECW 3: 306) or "communism, as fully developed naturalism, equals humanism, and as fully developed humanism equals naturalism" (MECW 3: 296).

In the *Manuscripts* Marx had already begun the investigation of economics, which after 1844 became a lifelong plan and uncompleted project under the label of the 'critique of political economy', which is how he referred to his work. His project culminated in the uncompleted series of *Capital*, and began around the time when asserted that he 'proceeded from the premises' and accepted the language and laws of political economy when writing the *Manuscripts*. Yet in this work not economic terms, but the philosophical notion of alienation is in the centre of his conception of communism. Afterwards the term of alienation gradually disappeared from the Marxian texts (on communism). In the *German Ideology*, which he wrote with Engels between the fall of 1845 and the spring of 1846 alienation still has a role in the line of reasoning, however Marx pronounces that this term is "comprehensible [only] to the philosophers" (MECW 5: 48) and it can only be regarded as an existent and 'intolerable power' against people who have to make a stand, if it has turned them into 'propertyless' masses. Even in the *German Ideology* rather than referring to the philosophical term of alienation to describe the meaning and objective of communism, he demands a real revolutionary movement, whose essential goal is to overthrow the current state of affairs: "Communism is for us not a state of affairs which is to be established, an ideal to which reality [will] have to adjust itself. We call communism the real movement which abolishes the present state of things. The conditions of this movement result from the now existing premise." (MECW 5: 49).

2.5. Communism as the Historical Mission of the Proletariat: The Claims and Demands of *The Communist Manifesto*

Marx finally distanced himself from the early post-Hegelian conception of communism as a philosophical idea by *The Communist Manifesto*.¹¹ He more considerably indicated the importance of the political force of the proletariat and the communist movement regarding the development of the post-capitalist future, even though he was far from certain at the time that a working-class revolution with the aim to abolish capitalism and overthrow the rule of bourgeoisie is likely to break out and achieve success in the near future (Sperber 2013: 214). Nevertheless, from the beginning of 1848, the increasing revolutionary situation all over the European continent generated new opportunities for him to expand and propagate his ideas on the revolutionary transformation of capitalism and the development of a new communist order.

The *Manifesto* is a powerful combination of a historico-philosophical treatise on capitalist industrialization and a ringing pamphlet for the use of political agitation, not surprisingly, Marx casts the historical role of tearing down with capitalism to the oppressed and exploited class of the proletariat.¹² Furthermore, what is often overlooked, he displays some admiration for the bourgeoisie in relentlessly shaping the world to its own social, economic and political image, which does not simply mean the creativity driven destruction of the formerly existing modes and relations of production, but the continuous and innovative transformation of the ever-changing present state of affairs. Marx delivers a poetic appraisal of the overpowering effect that the once revolutionary bourgeoisie had on civilization. As a matter of fact, he almost depicts a bourgeois or capitalist utopia on the pages of the *Bourgeois and Proletarians* section of the *Manifesto*: “Constant revolutionising of production,

¹¹ Marx’s most active and intense period as a revolutionary activist and theorist started with his exile from France in April 1845 and reached its climax in February 1848 (Sperber 2013: 152-190), when his most cited work, the *Communist Manifesto* became published. In the *Manifesto* communism no longer appears as a philosophical idea extracted from the critical rethinking of Hegelian dialectics, but as the historical mission of the proletariat.

¹² In *The German Ideology* Marx refers to the proletariat as the foremost of all productive forces and he argues that the formation of the post-capitalist society depends on the development of the productive forces, while emphasizing that the working class can only exist “world-historically, just as communism, its activity can only have a world-historical’ existence” (MECW 5: 49).

uninterrupted disturbance of all social conditions, everlasting uncertainty and agitation distinguish the bourgeois epoch from all earlier ones. All fixed, fast-frozen relations, with their train of ancient and venerable prejudices and opinions, are swept away, all new-formed ones become antiquated before they can ossify. All that is solid melts into air, all that is holy, is profaned, and man is at last compelled to face with sober senses his real conditions of life, and his relations with his kind.” (MECW 6: 487).

Bourgeois capitalism is destined for doom and it had begun digging its grave in its own cradle; it created the weapons that would destroy itself and simultaneously brought into existence “the men who are to wield those weapons – the modern working class – the proletarians” (MECW 6: 490). The future of mankind lays in the hands of those who have nothing to lose, but everything to gain and whose historical mission is to wind up capitalism and lay down the foundations of a new post-capitalist society through a revolutionary period of transition.¹³

The *Manifesto* puts significantly more emphasis on the description of the transitional period than writing about how one should imagine the future after the intermediate system comes to an end at the moment, when all production has been concentrated in the hands of a “vast association of the whole nation” (MECW 6: 505.). It adds almost nothing but another fuzzy element to the puzzle; a vague definition, which asserts that the society, which inevitably replaces the bourgeois social, political and economic order will be an association “in which the free development of each is the condition for the free development of all” (MECW 6: 506). This is yet another definition of communism, which has been proved to be prone to a wide range of interpretations and implementations, like all the previous ones presented in the *Manuscripts*.

The *Manifesto* does not deal with the communist society, for the most part it discusses the transitional period, which commences when the proletariat seizes the political superpower of the state,¹⁴ thus becomes the ruling class and starts radically

¹³ This is by no means surprising if one knows that Marx has already decided not to write about the aims of the proletariat, but instead to focus on the question what is the historical significance of the existence of the working class, when he wrote the following in 1845 in *The Holy Family*, one of his polemic writings against the Young Hegelians: “It is not a question of what this or that proletarian, or even the whole proletariat, at the moment regards as its aim. It is a question of what the proletariat is, and what, according to this being, it will historically be compelled to do” (MECW 4: 37).

¹⁴ Marx asserts that the first step of the revolution is to “raise the proletariat to the position of ruling class to win the battle of democracy” (MECW 6: 504). This passage seems to reinforce the arguments

transforming the existing capitalist mode of production. Marx immediately clarifies that the setup of the future begins by putting forward economic measures. The proletariat as ruling class has to make total use of its supremacy and mobilize all its political power for the sake of taking away “all capital from the bourgeoisie, to centralise all instruments of production in the hands of the State [...] and to increase the total productive forces as rapidly as possible” (MECW 6: 504).

Marx makes no secret that the transformation will be a violent procedure; the bourgeoisie will resist against the collective expropriation of private possessions. He alludes to violent acts, concretely ‘despotic inroads’ in existing property relations and presents them as necessary actions, while he is aware that they may prove to be economically ‘insufficient’ and ‘untenable’. At this point his words for justifying violence during the transitional period of the dictatorship of the proletariat are more or less as cynical as the moral justification of the murderous terror policy of the Stalin Era, which is based on the slogan that “When wood is chopped, splinters fly” (Edele 2011: 37-38, Halfin 2009: 2).

We should bear in mind that the term ‘dictatorship’ had a markedly different meaning in Marx’s time than nowadays. It was used in its ancient or archaic sense as a reference to the ‘dictatura’ of the Roman Republic (see Draper 1987, Ollman 1979). In this respect, Marx’s ‘dictatorship of the proletariat’¹⁵ referred to a temporary state

of contemporary socialist theorists, like Paul Cockshott and David Zachariah who argue (see Cockshott and Zachariah 2012) that Marx believed that communism will be more democratic than capitalism. For them communism is the only political configuration that deserves to be called a democracy by the classical Aristotelian classification and standards. This argument is based on the famous line on democracy in Aristotle’s *Politics*, in which the Stageiran claims that “the poor have more authority than the rich in democracies. They are the majority, and majority opinion is in authority.” (VI. 2. 1317b 8-10) Under capitalism, even in the most advanced and democratic states, political power is concentrated in the hands of a minority; the capitalist ruling class and the great majority of society is being excluded from political decision-making. When the bourgeoisie is overthrown by the proletariat, the poor and exploited majority will seize absolute political power and establish a political order, which conforms better to the Aristotelian notion of democracy.

¹⁵ Marx does not use the term ‘dictatorship of the proletariat’ when he discusses the transitional period in the *Manifesto*. In fact, the term was first used around the 1850s when he wrote a series of articles that later were published under the title *The Class Struggles in France 1848-1850* (Draper 1987). Moreover, the term completely vanished from Marx’s works for almost two decades around 1852 and only re-emerged in his later writings, including the *Critique of the Gotha Program*. What Marx could have meant on dictatorship around the time is reflected in the letter he wrote to his compatriot and fellow member of the Communist League, Joseph Weydemeyer in early 1852. Weydemeyer reasoned in his article entitled *Die Diktatur des Proletariats (The Dictatorship of the Proletariat)* on the pages of the New York *Turn-Zeitung* in January 1852 that the peaceful overthrow of the bourgeoisie, as well as the gradual transition from capitalism to communism is impossible, therefore terrorism and introduction of a proletarian dictatorship is absolutely required during the transformational period (Weydemeyer 1962). Reflecting upon Weydemeyer’s thoughts, Marx wrote the following in this letter to the Pioneer of American Socialism: “Long before me, bourgeois historians had described the

of emergency, which authorizes the working-class government as ‘magistratus extraordinarius’ with absolute power to execute the program of communist transformation of the capitalist mode of production. Marx’s ideas of the revolutionary period of transition reflects his era’s conception of dictatorship, whose meaning and content corresponds rather to the term’s archaic meaning than what it entails now in the present after the experience of Stalin’s, Mao’s and Pol Pot’s totalitarian regimes, or Hitler’s Nazi Germany and Fascist Italy of Mussolini. However, it is hardly arguable that Marx believed that the transition will be a peaceful process, especially when taking into consideration how fiercely he called for the use of terror against the bourgeoisie in the *Neue Rheinische Zeitung* shortly after the defeat of the revolution of 1848 in Vienna when he reasoned that “there is only one means by which the murderous death agonies of the old society and the bloody birth throes of the new society can be shortened, simplified and concentrated – and that is revolutionary terror” (MECW 7: 506).

Marx did not go as far to call for revolutionary terror against the bourgeoisie in the *Manifesto*, instead he introduced a ten-point action plan for the future proletarian government.¹⁶ This radical public program for economy and society has to be carried out by a revolutionary administration, one similar to the Jacobin regime, which controlled the state in the most blood-stained period of the French Revolution of 1789. Marx designed the program of the *Manifesto* on the model of a revolutionary government alike the Jacobin administration (see Sperber 2013) and urged the implementation of the following measures in the period of transition: “1. Abolition of property in land and application of all rents of land to public purposes. 2. A heavy progressive or graduated income tax. 3. Abolition of all rights of inheritance. 4. Confiscation of the property of all emigrants and rebels. 5. Centralisation of credit in

historical development of this struggle between the classes, as had bourgeois economists their economic anatomy. My own contribution was (1) to show that the existence of classes is merely bound up with certain historical phases in the development of production; (2) that the class struggle necessarily leads to the dictatorship of the proletariat; [and] (3) that this dictatorship, itself, constitutes no more than a transition to the abolition of all classes and to a classless society” (MECW 39: 62-65).

¹⁶ *The Civil War in France*, which Marx wrote almost a quarter of a decade after the *Manifesto*, shows evidence that he imagined the revolutionary government on the model of the Paris Commune. In the text Marx gives a fully detailed description of the institutional organization of the Commune and shows his respect to the revolutionary regime, which was in charge of government in Paris from 18th March to 28th May 1871 (see Ollman 1977). The Paris Commune in Marx’s view was “essentially a working class government, the product of the struggle of the producing class against the appropriating class, the political form at least discovered under which to work out the economic emancipation of labour” (MECW 22: xxiii.).

the hands of the state, by means of a national bank with State capital and an exclusive monopoly. 6. Centralisation of the means of communication and transport in the hands of the State. 7. Extension of factories and instruments of production owned by the State; the bringing into cultivation of waste-lands, and the improvement of the soil generally in accordance with a common plan. 8. Equal liability of all to work. Establishment of industrial armies, especially for agriculture. 9. Combination of agriculture with manufacturing industries; gradual abolition of all the distinction between town and country by a more equable distribution of the populace over the country. 10. Free education for all children in public schools. Abolition of children's factory labour in its present form. Combination of education with industrial production, &c., &c." (MECW 6: 505).¹⁷

Marx considers these measures to be 'applicable' to advanced countries where the capitalist mode of production had already developed.¹⁸ The abolition of private property and the implementation of the proposed radical public program for economy and society together will induce a chain reaction which lead to the breakup of the antagonistic capitalist system and the arrival of the classless society of communism as the *Manifesto* tells.

2.6. The Drafts of *Capital* and the Marxian Critique of Bourgeois Political Economy

Writing a book on political economy had been Marx's plan far earlier than publishing the first volume of *Capital* in 1867. Originally, the idea to write a book on economy appeared around the time Marx was working on the *Economic and Philosophic Manuscripts*; his original plan was to come up with a series of short studies, which

¹⁷ For the detailed analysis of the ten-point program of the *Manifesto* see Ollman (1977).

¹⁸ The *Manifesto* does not inform us according to what criteria define and determine that a country's economy and society is advanced enough to be ready for the communist transformation and the implementation of the aforementioned measures. One may conclude that Marx's later works on political economy from the mid-1850s prove to be more informative regarding the problem and would justify the conclusion that Marx imagined the post-capitalist future as a global society, which come into being in the most advanced capitalist societies, where the development of the productive forces reached their maximum potential within the bounds of capitalist relations as the theorist reasoned in the *German Ideology* in which he claimed that communism "is only possible as the act of the dominant peoples 'all at once' and simultaneously, which presupposes the universal development of productive forces and the world intercourse bound up with them" (MECW 5: 49).

criticizes bourgeois society and capitalism of the time from various aspects including from an economic viewpoint.¹⁹

The 1847 *Poverty of Philosophy*, Marx's first published treatise on economics,²⁰ proved to be the sole work that exclusively dealt with economic issues for the period that lasted from the middle of the 1840s and the beginning of the 1850s, during which he was mostly involved in political activism and practical political journalism due to the revolutionary enthusiasm that the Spring of Nations brought about. Anyway, *The Poverty of Philosophy* cannot be recognized as a fully-fledged contribution to the project Marx had been deferring from early 1845 under the label of 'critique of political economy'. It is rather a polemic piece whose author, tried to discredit his contemporary, Pierre-Joseph Proudhon's work for not understanding Hegelian philosophy, nor the political economy of Adam Smith and David Ricardo.²¹

On the other hand Marx insisted later in 1880 that *The Poverty of Philosophy* "serves as an introduction to the study of capital" (MECW 24: 326) and "contains the seeds of the theory developed after twenty years' work in *Capital*" (MECW 24: 326). So this text could be put in line with the 1858 *Outlines of the Critique of Political Economy*, also known as *Grundrisse*, which is the abbreviation of the original German title *Grundrisse der Kritik der Politischen Ökonomie* and the 1861-63 *A Contribution of the Critique of Political Economy*, which often regarded as drafts to the big project

¹⁹ Marx even drew a contract with Carl Friedrich Julius Leske's in February 1845, who paid him 1500 francs in advance to start working on a *Kritik der Politischen und Nationalökonomie (A Critique of Politics and Economics)*, but soon the Darmstadt publisher started doubting the 'scientific character' of the work in progress and two years later he withdrew from publishing it. He resigned the contract not only for the reason that Marx failed to deliver the first manuscripts in time, but partly because Leske felt that the book "has quite probably gained a powerful and dangerous competitor in the recently published book by Proudhon" (Tribe 2015: 224). Pierre-Joseph Proudhon's work came out under the title *Système des Contradictions ou Philosophie de la misère (System of Economic Contradictions, or Philosophy of Poverty)* in October 15th, 1846 under the label of the Parisian imprint Guillaumin et Cie. Marx was not indifferent to Proudhon's work and soon he released his remarks in *La Misère de la philosophie (The Poverty of Philosophy)* as a polemic and malicious reference to the magnum opus of the contemporary, whom he once admired (see Hoffman 1967).

²⁰ Marx's earlier works that in many respects deal with economic issues, namely the *Economic and Philosophic Manuscripts* and the *German Ideology* were both first published in the 1920s and 1930s.

²¹ In Marx's view Proudhon extends the scope of abstract philosophical categories in order to understand economic phenomena instead of relying on the concrete material conditions of production in his analysis and explanation. Marx believes that Proudhon's work makes metaphysics out of political economy like Quesnay had done, while the criticism that he uses to mock Proudhon could be applied to his own conception of political economy, which stands on the ground of philosophy as has already been presented in the analysis of the *Economic and Philosophic Manuscripts*.

that culminated in what now is known as the first volume of Marx's *Capital* (see Hollander 2008 and Hudis 2013).

Those economic notions which soon became an integral part of Marx's political economy – such as 'exchange value', 'actual labour time', 'socially necessary labour', 'reserve army of labour', etc. –, made their debut in the argumentation of this text of 1847. Furthermore, it was *The Poverty of Philosophy* in which Marx makes references, for the first time, to the fundamental tenet that communism is not compatible with value-production.²²

The Poverty of Philosophy proves that ever since Marx got serious hold of the notion to write about economics, he did not just want to dedicate the project exclusively to the critical examination of capitalism and to the analysis of bourgeois society, but he did have some concrete ideas in mind about the political economy of the post-capitalist society. He was convinced that the realization of the communist future depends mostly on whether it is possible to set forth a well-functioning alternative economy which produces more effectively in conformity with people's needs than with capitalism.²³ He formulated this idea to a conception of political economy of socialism over the years, but did not get the opportunity to set it down in

²² Hudis draws our attention that Proudhon was not the only target of Marx's critique in *The Poverty of Philosophy*, but he also attacked English economist and utopian socialist, John Francis Bray. According to Hudis, from Marx's objections on Bray's economic doctrines emerges that he completely dismissed the idea that the communist transformation of society and economy could be realized on the same regulatory or organizing principles which govern the bourgeois system. Hudis assumes that the following passages from *The Poverty of Philosophy* sum up Marx's critique of Bray and prove his statements: "Mr. Bray does not see that this equalitarian relation, this corrective ideal that he would like to apply to the world, is itself nothing but the reflection of the actual world; and that therefore it is totally impossible to reconstitute society on the basis of what is merely an embellished shadow it. In proportion as this shadow takes on substance again, we perceive that this substance, far from being the transfiguration dreamt of, is the actual body of existing society" (MECW 6: 144).

²³ Marx indubitably remained devoted to the creed of communism as the historical mission of the proletariat throughout the span of his entire life, but after the defeat of the revolutions of 1848/49 in Europe he rather placed more emphasis on the economic analysis of capitalism than revolutionary or political agitation. Around the beginning of the 1850s he started to devote special attention to the possible connection between economic crises and revolutions, reasoning that an outbreak of a revolution is only possible in time of an economic crisis. In November 1850, he came up with following economic analysis about the relation between revolution and crisis in the final issue of *Neue Rheinische Zeitung: Politisch-ökonomische Revue (New Rhineland News: Review of Political Economy)*: "Enabling the productive forces of bourgeois society to develop to the full extent possible within the bourgeois system, there can be no question of a real revolution. Such a revolution is only possible at a time when *two factors* come into *conflict*: the *modern productive forces* and the bourgeois forms of production. [...] A new revolution is only possible as a result of a new crisis; but it will come, just as surely as the crisis itself" (MECW 10: 135). Although this passage shows a direct connection between revolution and crisis in Marx's theory, as far as I know, Marx never stated that a crisis in capitalism could be sufficient in itself to trigger a revolution, however it inflames revolutionary and class consciousness.

black and white in the span of a lifetime: instead of conceiving a positive theory, for the most part, Marx was pre-occupied with a characteristically negative analysis, the critique of capitalism.

The *Grundrisse* provides a general overview to the Marxian critique of bourgeois political economy. Marx tackles political economy from many aspects, but essentially the following three are considered to be the core of his general critique: contrary to bourgeois economists he refuses that capitalism is natural, just and optimal system, conversely, he reasons that it is (i.) historical, (ii.) unjust and (iii.) suboptimal organization of economy and society.

In the *Grundrisse* Marx criticizes bourgeois political economists (i.) for deeming commercial society as a social configuration that best suits human nature in order to justify the righteousness of capitalism. In general, in Marx's interpretation those economists who "see in all forms of society the bourgeois forms" (MECW 28: 42) present the capitalist mode of production as a system "governed by eternal natural laws independent of history, and then bourgeois relations are quietly substituted as irrefutable natural laws of society in abstracto" (MECW 28: 25). He seems convinced that the apologists of bourgeois economy build such arguments for capitalism on the basis of a set of false anthropological premises that assume that commerce and trade are natural dispositions of man as a species being, hence, man had always had the propensity for exchange commodities for money even long before capitalism or commercial society existed. On the contrary, before the birth of commercial society, commodity production and exchange were not a common and global phenomenon, but had been limited due to the underdevelopment of technology or the presence of restrictive social relations and measures that hindered free exchange. Such examples would be the existence of feudal law based on and governed by privileges instead of rights and obligations which are bound by a contract, the lack of power and effectiveness of legal norms, the overwhelming intervention of sovereign authorities in market mechanisms, etc. Marx rejects these premises and emphasizes that capitalism came to existence at a specific time in history when labour power became a commodity and the means of production were unbounded from their owners.

Such an organization of economy and society that is established upon class differences and inequality is (ii.) unjust and exploitative contrary to what bourgeois economists believe. Under capitalist conditions the profit of the bourgeoisie derived from exploiting those who own nothing but their labour-power. Unlike slaves in pre-

capitalist societies, the members of the working class are free individuals, however, the sole element they possess is their labour-power which they offer for sale as a commodity on the labour market. Marx makes a distinction between the value of labour power and the value of commodities produced by labour. Whereas, the value of labour-power is determined by how many labour-hours are required for its production, as in the case of every other commodity. The value of commodities does not equal the time that a proletarian is capable of working, but corresponds to the socially necessary labour time for producing those commodities that the worker purchases from his wage and are indispensable for sustaining his life and for reproducing his labour-power. In other words, under capitalism the amount of work that the worker does for sustaining his life and for reproducing his labour-power does not equal the amount of time that he works; during working hours the labourer quickly produces the commodities whose value equals the price that are expended from wages. For the rest of the time, the worker works on the behalf of the capitalist, who as the possessor of the means of production, including the workers' labour power gets the surplus value that has been created during that time frame. Thus, practically, the profit of the bourgeois and the surplus value under capitalism originates from "the power to subjugate the labour of others" as noted in the *Communist Manifesto* (MECW 6: 500). Or, in other words, the origin of bourgeois wealth is robbery or stealing, namely "the theft of alien labour time" (MECW 29: 91) as Marx puts it in the *Grundrisse*.²⁴ On the whole, Marx denies that capitalism is a fair system, where each gains profit according to their contribution to production, contrary to how bourgeois political economy would like to present it.

Marx also disputes that (iii.) capitalism is an optimal form of economic organization concerning the utilization and allocation of resources. From Marx's analysis it turns out that capitalism is a suboptimal system frequently struck by crises.

²⁴ Let us imagine a factory which only produces a special kind of food replacement pill that contains the right amount of ingredients to keep a healthy adult in a good physical condition to be capable of working. According to Marx's labour theory of value if it takes 4 hours to produce such a pill, then the wage of the factory worker should be fixed at the minimum of 4 money tokens: from the 4 tokens he could buy the pill, which had been produced in 4 hours of work. Still, it does not mean that the employee is only able to work only 4 hours in the factory; he could also work for instance 8 hours a day. In the first 4 hours of his 8-hour-long workday the worker would produce one pill whose value equals to his daily wage, then in the next 4 hours he would make another pill and do extra job for no salary. This very simplistic example illustrates quite well how Marx's theory of value and exploitation records the source of profit of the capitalist: the surplus value is the result of the additional work that the employee does while he continues to produce after he had already made the goods that he needs.

However, he does not allege that even the most devoted apologists of vulgar bourgeois economics would deny the mere fact that fluctuations between growth and decline of production occur from time to time in the system. However, he is convinced that crises are an integral part of capitalism and result from its inherent contradictions and malfunctions,²⁵ while bourgeois economists tend to refer to external factors or irrational individual decisions and acts in their explanations.

2.7. What There is to Know About the Centralization and Concentration of Capital?

In the first volume of *Capital* Marx shares a nearly apocalyptic vision of how capitalism will come to an end. He does not display the fall of capitalism as an unexpected or random series of events, instead he refers to it as a programmed scenario. The following passage from *Capital I* highlights how he imagines those postulated sequences of events that lead to the collapse of the system:

This expropriation is accomplished by the action of the immanent laws of capitalistic production itself, by the centralisation of capital. One capitalist always kills many. [...] Along with the constantly diminishing number of the magnates of capital, who usurp and monopolise all advantages of this process of transformation, grows the mass of misery, oppression, slavery, degradation, exploitation; but with this too grows the revolt of the working class, a class always increasing in numbers, and disciplined, united, organised by the very mechanism of the process of capitalist production itself. The monopoly of capital becomes a fetter upon the mode of production, which has sprung up and flourished along with, and under it. Centralisation of the means of production and socialisation of labour at last reach a point where they become incompatible with their capitalist integument. This integument is burst asunder. The knell of capitalist private property sounds. The expropriators are expropriated (MECW 35: 750).

²⁵ For example in *A Contribution to the Critique of Political Economy* Marx wrote that crises are “big storms on the world market, in which the antagonism of all elements in the bourgeois process of production explodes” (MECW 29: 412), while in the *Theories of Surplus Value* he noted that crises “must be regarded as the real concentration and forcible adjustment of all the contradictions of bourgeois economy” (MECW 32: 140).

In this highly quoted passage of *Capital I*, Marx brings up the centralization of capital, which is responsible for the self-destruction of the capitalist system. The tendency of the centralization of capital is directly linked to the competition between the owners of means of production and capital goods. Competition on the market forces capitalists to introduce new technologies. Nevertheless, as the implementation of the latest technological innovations are always expensive before they become widespread and common, only those entrepreneurs could afford to make innovations and apply the latest technological advancements, who own the biggest amount of capital, while smaller competitors tend to drop out of the race or fuse with the giants. These trends, in general, induce the centralization of capital, which in Marx's words means the "transformation of many small into few large capitals" (MECW 35: 621).

Simultaneously with this centralizing tendency comes about the concentration of capital, which does imply that as more capital is concentrated in fewer hands and the output grows, the size of firms also extends. The concentration of capital best can be regarded as a variant of centralization, and add together Marx's theory of monopoly and expressed in the *Capital* with the simple Marxian formula that "one capitalist always kills many" (MECW 35: 750.) or "the larger capitals beat the smaller" (MECW 35: 621).

In the *Capital*, Marx dedicates crucial importance to the operation of the aforementioned trends in establishing communism. Marx thinks that the centralization and concentration of capital will not only lead to the emergence of a few giant companies, which have monopoly status in each sector of the industry, but he expects that the whole economy transforms into one giant enterprise, which will then exercise control over all social capital and gross output: "In any given branch of industry, centralization would reach its extreme limit if all the individual capitals invested in it were fused into a single capital. In a given society the limit would be reached only when the entire social capital was united in the hands of either a single capitalist or a single capitalist company." (MECW 35: 182).

In sum, Marx's *Capital* prognosticates that it is the centralization and concentration of capital that brings major changes in the current mode of production and enables the transformation of the capitalist economy and society into a communist one.

A few objections should be raised concerning Marx's theory of centralization and concentration because, in this particular manner, he generally misjudged the

trends of capitalist development,²⁶ therefore it is not an overstatement that his argument for communism²⁷ based on the inherent tendencies of capitalism seems to be disproved over the course of time.

Marx brought up at least two arguments to underline his prediction (Steele 1992). First of all, he relies on the conception of (i.) economies of scale. He presumed that the best possible option for a company to reduce its average costs is to extend its size and produce more goods on broad scale. This supports the idea that already capitalized enterprises are the one that could easily afford to introduce production increasing new technologies while small businesses with less capital cannot compete with them and are destined to fusion with giants. Still, it has been proven that instead of extending their scale of production giant companies often choose to engage in capital-saving production and business activities in order to be effective and profitable (see Leijonhufvud 1986, Steele 1992). Overall, smaller and less capital-intensive competitors on the market have a chance against the giants, if they can successfully invent and apply capital-saving strategies, thus, their fusion with large-scale economic enterprises is not inevitable as it is claimed by Marx theory of centralization and concentration of capital.

Marx's own crisis-theory, especially the falling rate of the profit corresponds to the conception of centralization and concentration of capital. By exploring capitalism, Marx infers that technical development and mechanization have the effect of changing the organic composition of capital, which in his terminology is the ratio between 'constant capital' or the value of the means of production (tools, machinery, materials, etc.) and 'variable capital' which equals to the total amount of costs that are spent on paying wages.²⁸

²⁶ The most important source of information for Marx were the almanacs and compilation of reports stored in the library of the British Museum. During his exile in London, he did not establish a direct relationship with the English proletariat, instead he used these reports, known as the Blue Books, to get information about their condition, to study capitalism and to provide factual evidence for his critique of capitalism.

²⁷ Steele doubts that Marx's theory of the centralization and concentration of capital as an argument for communism reveals the administrative requirements of the transformation of capitalism. Just like in the case of historical materialism, Marxists who accept the claims of the theory should do nothing in order to establish communism, "because they assume that the longer the revolution is delayed the closer administration comes to being socialist, in the sense that ever larger segments of world industry are planned as single units" (Steele 1992: 273).

²⁸ Marx defines the organic composition of capital on the pages of the chapter entitled *The General Law of Capitalist Accumulation* in the first volume of *Capital*: "By composition of capital we mean the proportion of its active and passive components, i.e., of variable and constant capital [...]. The first

On the one hand, as the result of mechanization and technical development productivity increases which brings capital growth. On the other, Marx cautions that capital growth has not been created by ‘living’ labour power, which is the only source of value according to his labour-theory of value, but it is the result of the contribution of ‘dead’ elements, such as tools and machinery, which are themselves products of previously performed labour. So, when the owners of the means of production apply more machines instead of more labour force, they raise the rate of constant capital at the expense of the rate of variable capital, which leads to the alteration of the organic composition of capital. By this strategy only short-term capital growth could be achieved, in the long run the rate of profit will ceaselessly fall and cause a crisis in the system.

The tendency of the profit rate to fall goes together with profit accumulation that is the temporary rise of surplus value and increase in the mass of profit, which is only a small compensation for the losses of capital owners. Marx suggests that the owners of a large amount of capital are less vulnerable to the crisis than their smaller rivals, therefore the tendency of the profit rate to fall will also induce the centralization and concentration of capital.

I find it useful to highlight, with an example given by Steele, that the tendency of the falling rate of the profit would rather confer benefits on the smaller and less capital-intensive companies, enterprises and firms. Profit matters more than size when it comes to investment and it is fool-proof that no one would make a capital investment worth of a million dollars into one giant company with the hope of 40, 000 dollars per year, if there is an option to put proportionally the same 1 million dollars into 10 companies and earn 50, 000 dollars a year. So, in conclusion, this case shows that if a giant and more capital-intensive company’s profit falls, the tendency of the falling rate of profit would dispatch a trend, which is beneficial for the small and less capital-intensive companies, contrary to what Marx predicted (Steele 1992: 273-274).

proportion rests on a technical basis, and must be regarded as given at a certain stage of development of the productive forces. A definite quantity of labour-power represented by a definite number of labourers is required to produce a definite quantity of products in, say, one day, and – what is self-evident – thereby to consume productively, i.e., to set in motion, a definite quantity of means of production, machinery, raw materials, etc” (MECW 37: 144). Furthermore, in *Capital III*, more specifically, in the chapter of *Different Compositions of Capitals in Different Branches of Production and Resulting Differences in Rates of Profit* he discusses how the changes and alterations in the ratio of constant and variable capital effects productivity.

It is possible to bring up further evidence to disprove Marx's prognosis. It is enough to recognize that the centralization and concentration of capital cannot bring the communist future closer simply because it places the task of the transmission of the economy into the hands of those who are the least interested in it. Entrepreneurs are interested in expansion till it is profitable for them, until the costs of production or other organizational input do not exceed their annual profit. There has to be an optimum of growth that limits expansion and capital concentration, which is more likely to last till it is beneficial for those who are able to expand and invest, not till the point that the whole economy turns into a centrally planned system as Marx reasoned. So, all things considered, Marx's prognosis on the centralization and concentration of capital does not prove to be a strong argument for communism.²⁹

In Marx's economic theory central planning stands for the rational and conscious social control of production, quite the opposite of what can be attributed to capitalism. Take, for instance, the famous entry of *Capital III*, in which Marx reasons that in the post-capitalist system bookkeeping – which could possibly cover 'administration', as well as 'calculation' or 'planning' – will have a crucial role in coordinating the economy: "...after the abolition of the capitalist mode of production, but still retaining social production, the determination of value continues to prevail in the sense that the regulation of labour-time and the distribution of social labour among the various production groups, ultimately the book-keeping encompassing all this, become more essential than ever" (MECW 37: 838).

In communism bookkeeping that encompasses and controls the whole production of the economy will acquire an importance like it has never had before under any other mode of production. Marx seems to feel optimistic about the reduction of costs in bookkeeping and in other sections of *Capital* he writes that under communism economic production is regulated by a preconceived and settled plan. However, for those who still doubt that Marx has never explicitly exposed his commitment to the idea of command economy (see Stephenson and Roberts 1973),

²⁹ It is not evident that Marx was mistaken about the nature of growing inequalities under capitalist conditions. On the other hand it can be called into question that as firms gets bigger in size and as the number of companies decline, it is inevitable that they will owned by fewer and more wealthy capitalists – as Steele indicates: "there is no necessary relation between the number of firms and the number of capitalists" (Steele 1992: 274), because it is possible, at least arithmetically, that a single firm owned by every member of the society takes possession of the whole economy.

hopefully, the argumentation of chapter fourteen in part four of *Capital I* will provide further proof.

In this section of *Capital*, Marx makes a distinction between the division of labour within a workshop and division of labour within society. He defines the differences between the two forms of division of labour as follows: “The *a priori* system on which the division of labour, within the workshop, is regularly carried out, becomes in the division of labour within the society, an *a posteriori*, nature-imposed necessity, controlling the lawless caprice of the producers, and perceptible in the barometrical fluctuations of the market-prices” (MECW 35: 361).

Marx is convinced that the ‘a priori’ and ‘a posteriori’ division of labour is a distinctive feature of the capitalist mode of production. It can be attributed to the fact that in a capitalist economy, individual producers compete with each other and competition is the main factor that defines production, instead of a society-wide planning. He also states that the many spheres of production tend to reach equilibrium because each individual producer has to generate use-value in order to satisfy the specific needs of consumers, while “the law of the value of commodities ultimately determines how much of its disposable working-time society can expend on each particular class of commodities” (MECW 35: 361). The tendency towards such equilibrium only appears in capitalism where the “division of labour within the society brings into contact independent commodity-producers, who acknowledge no other authority but that of competition, of the coercion exerted by the pressure of their mutual interests; just as in the animal kingdom, the *bellum omnium contra omnes* more or less preserves the conditions of existence of every species” (MECW 35: 361). This is completely unsupportable for Marx whose proposal is that instead of the anarchistic and irrational coordination of capitalist market mechanisms, economy should be ran according to a plan in order to achieve more productivity, which requires the recording of needs of all members of society and an administration established along the lines of the a priori organization of labour within a workshop.

2.8. The Post-Capitalist Mode of Production as an Economy of Time

What is used as a unit of account or nominal unit of measure in the post-capitalist economy for bookkeeping or planning? Certainly it is not money. Money no

longer needs to fulfil its roles, which it serves in the capitalist mode of production, it becomes superfluous and neither individuals, nor the whole of society will benefit from its use.³⁰ According to what Marx exposes in the *Capital*, instead of money, labour-hours are used for economic calculation and planning.

Right in the first chapter of the first volume of *Capital*, more precisely in the section that bears the title *The Fetishism of Commodities and the Secret Thereof*, Marx makes it clear that it is ‘socially necessary labour time’ spent for its production that determines the value of a commodity. However, Marx is conceived that this correspondence remains a secret: “hidden under the apparent fluctuations in the relative values of commodities” (MECW 35: 86) in the realm of capitalism. Nevertheless, he asserts near the end of *Capital III* that this is false, and below the surface one could realize that in “the determination of value, it is a question of social labour time in general, the quantity of labour which society generally has at its disposal, and whose relative absorption by the various products determines, as it were, their respective social importance” (MECW 37: 868).

Still there are some theorists who doubt that in Marx’s communist economy labour-hours have to provide the basis for planning and calculation. Some also question that the law of value remains a regulative principle in communism and reason that in Marx’s theory the law of value is exclusively about capitalism, where production is for exchange and commodities switch owners for money (see Steele 1986). This argument appears to be underlined by an extract from Marx’s *Grundrisse*, in which he arrives to the conclusion at the end of a lengthy argument that in an economy where labour becomes directly social labour time loses its calculative function as a measure of productivity.³¹ On the other hand, earlier in the text Marx

³⁰ Marx in the *Capital* does not give sufficient or adequate justification why economic planning and calculation in the communism completely ignores money. The answer to the question can be found in the *Critique of the Gotha Program*, in that part of the text which deals with the problem of ‘proceeds of labour’.

³¹ The passage from the *Grundrisse* in abbreviated form reads as follows: “The exchange of living labour for objectified, i.e. the positing of social labour in the form of the antithesis of capital and wage labour, is the ultimate development of the value relationship and of production based on value. Its presupposition is and remains the sheer volume of immediate labour time, the quantity of labour employed, as the decisive factor in the production of wealth. But in the degree, in which large-scale industry develops, the creation of real wealth becomes less dependent upon labour time and the quantity of labour employed than upon the power of the agents set in motion during labour time. And their power – their powerful effectiveness – in turn bears no relation to the immediate labour time which their production costs, but depends, rather, upon the general level of development of science and the progress of technology, or on the application of science to production [...]. Once this transformation has taken place, it is neither the immediate labour performed by man himself, nor the

also states that in the free association of producers with the absence of money, prices and values exclusively rely on labour time. He claims that the ultimate outcome of development is that all economy transforms into what he calls an ‘economy of time’, where administrative tasks from calculation to planning depend on how the administrators could organize time in all spheres of production.

In the *Grundrisse* Marx does not only refer to labour time in general, but specifically to disposable time. He concretely mentions that in communism the most important task for the central administration is to reduce to a possible minimum the total amount of time that all members of society spend on providing goods and services and to come up with a strategy to maximize the individuals’ disposable time, which Marx regards as the mainspring of either personal development and collective welfare or real wealth of the society.³² Therefore, communist central planning does not aspire to produce commodities for sale in the least amount of labour hours, but, instead, it aims to maximize disposable time, which becomes the utmost organizing principle and main pursuit of the economy. Behind the effort of maximizing disposable time lies in the philosophical Marxian idea of the self-accomplishment of the social individual, who realizes his or her inner potentials through creative work that generates social wealth.³³

time for which he works, but the appropriation of his own general productive power, his comprehension of Nature and domination of it by virtue of his being a social entity – in a word, the development of the social individual – that appears as the cornerstone of production and wealth [...]. As soon as labour in its immediate form has ceased to be the great source of wealth, labour time ceases and must cease to be its measure, and therefore exchange value [must cease to be the measure] of use value” (MECW 29: 90-91).

³² The passage of the *Grundrisse* is the following: “If we presuppose communal production, the time factor naturally remains essential. The less time society requires to produce corn, livestock, etc., the more time it wins for other production, material or spiritual. As with a single individual, the comprehensiveness of its development, its pleasures and its activities depends upon the saving of time. Ultimately, all economy is a matter of economy of time. Society must also allocate its time appropriately to achieve a production corresponding to its total needs, just as the individual must allocate his time correctly to acquire knowledge in suitable proportions or to satisfy the various demands on his activity. Economy of time, as well as the planned distribution of labour time over the various branches of production, therefore, remains the first economic law if communal production is taken as the basis. It becomes a law even to a much higher degree. However, this is essentially different from the measurement of exchange values (of labours or products of labour) by labour time. The labours of individuals in the same branch of industry, and the different types of labour, are not only quantitatively but qualitatively different. What does mere quantitative difference between things presuppose? The sameness of their quality. Therefore quantitative measurement of labours [presupposes] their equivalence, the sameness of their quality” (MECW 28: 109).

³³ Marx defines his ideal of self-realization in the *Grundrisse* as the development of the “full productive powers of the individual” (MECW 29: 93), which generates real wealth for the society.

2.9. Coordination and Cooperation in the Post-Capitalist Economy

About coordination and administration in communism Marx's makes the following statement in the chapter dedicated to *Co-operation* in his *Capital*: "All combined labour on a large scale requires, more or less, a directing authority, in order to secure the harmonious working of the individual activities, and to perform the general functions that have their origin in the action of the combined organism, as distinguished from the action of its separate organs." (MECW 35: 335-336). Communism is by no means an exception, it requires a rational economic coordination, a 'directing authority' as an orchestra needs a conductor. However, in this advanced stage of economic and social development, it could not occur that the conductor of the orchestra claims ownership over the musicians' instruments or feels authorised to determine their wages.

Marx considers cooperative factories of the 19th century a good example to demonstrate that already in capitalism "the work of supervision, entirely divorced from the ownership of capital" (MECW 35: 385), so capitalists, before the emergence of communism, have already become separated from those administrative functions and positions that are related to the organization and coordination of the economy. He reasons that in his own system a capitalist expropriator "has become no less redundant as a functionary in production as he himself, looking down from his high perch, finds the big landowner redundant" (MECW 37: 385) and it is time for the working class to take his position.

Marx does not take into account that from those who are in charge of planning and conducting, the communist economy could raise a privileged group of people and that would generate new forms of exploitation and class antagonisms. He turns a blind eye to this problem or simply ignores it for the reason that he so strongly believes that the organization and coordination of the communist economy will be incomparably more democratic than under capitalist conditions.

From the extracts of *Capital*, one could get the impression that Marx was against the overwhelming presence of the state, which plans and runs the economy with the help of an extensive bureaucratic network. He rather trusted in the effectiveness of cooperation and claimed that there will be no reason to enforce discipline on the workers "under a social system in which the labourers work for their

own account” (MECW 37: 87), because in the communist future everybody will work on the account of the whole economy and society.

Correspondingly, in communism the work of the individual cannot have a direct impact on one’s quality of life because people are liberated from the constraint of wealth accumulation and profit maximization. In communism nobody is exposed to the will or personal interests of others. Marx eliminates money as one of the most common material incentives in capitalism and hopes that in the free association of producers, people will work more productively and creatively than they do in capitalism, where one of the main things that gives them motivation is the relentless pursuit of money, profit and material goods.

In addition, Marx sets out that in communism it cannot occur that someone is being overworked because there is no market competition which forces the owners of the means of production to increase productivity by hiring more labour force from ‘the reserve army of unemployed workers’. The reserve army of unemployed workers is the result of the overextended increase of productivity, or simply overproduction, which feeds from the market competition between profit-seeking capitalists. Marx highlights this vile feature of capitalism with irony in *Capital I*, in the section where he taunts the ideas of the well-known contemporary, English cotton mogul, Henry Ashworth. In a letter to William Nassau Senior from 1837, Ashworth gave the following lesson to his economist compatriot: “When a labourer [...] lays down his spade, he renders useless, for that period, a capital worth eighteen pence. When one of our people leaves the mill, he renders useless a capital that has cost 100 000 [pounds]” (Senior 1837: 14.). Marx finds the wisdom of Ashworth outrageous and remarks with irony that from the viewpoint of the capitalist exploiters it is not a sensible statement. Moreover he notes that under capitalism the best interest of the owners of the means of production should be that the labourers would never leave their workplace because they could not render useless any amount of capital.

What Marx refers to while mocking Ashworth, is that in capitalism mechanization and technological development could also force capitalists to exploit the workers even more. Capitalists could take advantage of the machinery in a bizarre way to make the workers from their early ages a cog in the grand running wheel of the economy, or, as Marx puts it: “Machinery is put to a wrong use, with the object of transforming the workman, from his very childhood, into a part of a detail-machine. In this way, not only are the expenses of his reproduction considerably lessened, but

at the same time his helpless dependence upon the factory as a whole, and therefore upon the capitalist, is rendered complete.” (MECW 35: 425).

Marx is certain that if the market ceased to exist it won't happen that the introduction of more machinery brings down the activity of the worker to an awful level that could be only compared to the miserable labour of Sisyphus (MECW 35: 425). In communism, workers master the technology, they exercise complete control over machinery.

Then again, in cursing the market for the injustices of capitalism, Marx does not take into consideration the probability that the rush for pushing the means of production to their maximum capacity is not generated by the market. The market rather serves as a mediator in the race and it cannot be ruled out that the real driving forces behind this phenomenon are consumer wants and needs. Likewise, he also fails to prove that capitalists introduce new technology and employ machinery because their intention or motivation is to transform the labourer “from his very childhood, into a part of a detail-machine” (MECW 35: 425). Marx's reasoning does not take into account that capitalist entrepreneurs could also employ more machinery for the reason that this allows them to produce commodities that address a certain consumer demand with minimum costs. What is more, Marx seems to disregard that the replacement of workers to machines increases unemployment, which favours capitalists who could keep wages down by simply taking advantage of the vulnerable situation of job-seekers.

2.10. The Two-Stage Structure of the Post-Capitalist Society in Marx's

Critique of the Gotha Program

In the *Manifesto* Marx wrote about the revolutionary process that leads to the break-up of capitalism and the fundamental transformation of economy and society. When all privately owned means of production became a common property, mankind enters the first stage of communism where everyone works according to their ability and receives from the whole of produced goods according to his contribution to the production as Marx later argued on the pages of the *Critique of the Gotha Program*. In this polemic writing of 1875, which he wrote with the intention to criticise the party platform of the Socialist Worker's Party of Germany (Sozialistische

Arbeiterpartei Deutschlands, SAP)³⁴ he presented a two-stage conception of communism, which makes a solid distinction between a lower and a higher phase of communism and clearly refers to the in-between transformational period as ‘the revolutionary dictatorship of the proletariat’. In this text Marx shifts from a rebellious to an evolutionary route to socialism, and presents communism as the result of the economic development of capitalism, which argument traces back to his observations made on capitalist economy and society in his works on political economy.

The two stages that follows capitalism discussed in this work has specific features as post-capitalist economic systems and social organizations. Either on the lower and on the higher phase of communism the means of production are owned collectively, which implies that, in contrast to capitalism, labour-power does not enter into the market as a commodity; on the whole, communism abolishes the market, thus neither means of production, nor consumers goods have exchange-value or prize expressed in monetary value. Correspondingly, on both levels, labourers own and have control over all means of production, including their own labour-power, which fundamentally changes the relations of production: producers of the post-capitalist free association do not sell or even exchange their products: “just as little does the labour employed on the product appear here *as the value* of these products, as a material quality possessed by them, since now, in contrast to capitalist society, individual labour no longer exist in an indirect fashion but directly as a component part of the total labour.” (MECW 24: 85).

Marx suggests that production in communism leans on concrete labour-time instead of the abstract category of socially necessary labour-time as in capitalism; the dichotomy of abstract and concrete labour dissolves, labour becomes directly social and serves the development of the individual. Furthermore, there is no value production because labour produces use-values not exchange values. However he misses to discuss what measures and standards determine values, as well as he fails to provide information about how it is decided what products are needed to be produced.

Principally, the *Critique of the Gotha Program* indicates that distribution is not exactly the same on the lower and higher phase of communism. Although on both levels every member of the society performs in accordance with their ability, the main

³⁴ The SAP came into existence with the union of Ferdinand Lassalle’s General German Worker’s Association (Allgemeiner Deutscher Arbeiter-Verein, ADAV) and the Social Democratic Labour Party (Sozialdemokratische Arbeiterpartei Deutschlands, SDAP) led by Wilhelm Liebknecht and August Babel in 1875 at a conference held in the Thuringian town of Gotha.

principles of distribution are different. On the lower level of communism, the main principle of distribution is ‘to each according to his contribution’, which indicates that at this stage everyone receives a reward for their work in proportion to their individual contribution to the total sum of goods produced by the economy. This form of distribution is unacceptable for Marx because it does not treat everyone equally.³⁵ Equal distribution only evolves on the higher stage of communism, which allocates goods in conformity to the principle of ‘to each according to his needs’. In fully developed communism the distribution of goods is implemented not in proportion to the individual’s input to the whole output, but in accordance with his or her own and particular needs.

Does Marx have anything to say in this work about how it is possible to realize egalitarian distribution in practice? Not much, although, he does mention that in the initial phase of post-capitalism after certain ‘deductions’ that are made for financing public funds³⁶ people receive certificates which are expressed in labour hours and they use these labour vouchers to get “from the social stock of means of consumption as much as the same amount of labour cost” (MECW 24: 86). Marx emphasizes that these labour vouchers cannot be regarded as money, simply because they do not circulate upon exchange unlike Robert Owen’s ‘labour money’ which are expressively criticized by Marx. In the *Capital* Marx states that Owen’s alternative is “no more ‘money’ than a ticket for the theatre” (MECW 35: 104) whose idea is merely “juggling with money” (MECW 35: 104) in a strange form of cooperative production where labour directly becomes social, however commodity production continues to exist too.³⁷

³⁵ For example, it provides an equal quantity of goods to two workers who perform the same task within eight hours of labour time, yet one of them has to support a family with three children, while the other only has to take care of his/her own.

³⁶ These ‘common funds’ could encompass the sustainment or finance of a wide range of institutions, programs and services from social security and welfare, through innovation of technology and replacement of overused means of production, to education and culture.

³⁷ Marx’s critique of labour money comes from the presupposition that economic calculation in labour hours is impossible in capitalism. He thinks that market economies that use money produce commodities as well. If that is the case, individual labour becomes social indirectly and in a distorted form through the market as Marx states in the *Grundrisse*: “On the basis of exchange value, labour is *posited* as general labour only through exchange. On this basis [of the exchange of activities in production], labour would be posited as general labour prior to exchange, i.e. the exchange of products would not in any way be the medium mediating the participation of the individual in general production. Mediation has of course to take place. In the first case, which starts from the independent production of individuals – however much these independent productions may be determined and modified *post festum* by their interrelations – the mediation takes place through the exchange of

Economies depend on any form of money till the division of labour lasts, thus individual producers participate in production separately, not associatively, and hence, their labour becomes social through an intermediary. However, when mankind surpasses capitalism, the division of labour comes to an end. No one will have an exclusive sphere of work, so producers will not take part in economic production as atomized labourers. Consequently, labour does not acquire its social character through the medium of money (and the market), but it is social from the moment it is being performed. In conclusion, there is no need for any form of money in communism, where labour becomes directly social.

In the *Critique of the Gotha Program* Marx also collects in five points the requirements of the transformation between the two stages of communism.

First of all, as already mentioned, people have to liberate themselves from the constraints of the division of labour in order to develop their skills and fulfil their potentials extensively.

Second, as the constraints of the division of labour are eliminated “the antithesis between mental and physical labour” (MECW 24: 87) also vanishes, but only on the advanced stage of communism.

Third, in the second stage of the future after capitalism labour turns into the primary need of human life. This signifies that people are capable of providing their basic needs and guaranteeing themselves decent living standards without difficulty. Additionally their labour contribute to development either on the scale of the individual and on the collective level of society. Communism, in its complete form, is the realm of necessity and freedom which thus becomes a reality “after labour has become not only a means of life but life's prime want” (MECW 24: 87), argues Marx.

Forth, the transition from the lower to the higher stage of communism comes to fruition when the development of productive forces proceed in accordance with the self-improvement of individuals.

Finally, it is also required for reaching the higher stage that “all the springs of common wealth flow more abundantly” (MECW 24: 87), so on the highest level of human social and economic development mankind lives in the state of abundance

commodities, through exchange value, money, which are all expressions of one and the same relationship [...]. In the first case, the social character of production is established only post festum by the elevation of the products into exchange values and the exchange of these exchange values [...]. For the fact is that labour on the basis of exchange values presupposes that neither the labour of the individual nor his product is directly general, but that it acquires this form only through objective mediation by means of a form of money distinct from it” (MECW 28: 108-109).

according to Marx.

In the end of outlining Marx's vision of post-capitalism on the grounds of what could be found in this text, it is essential to say something about the political structure of the post-capitalist future, which is determined by the economic basis of the new-born society. In the main, the lower stage of post-capitalism does not eliminate completely some elements of its predecessor, or, in Marx's own words, "in every respect, economically, morally, and intellectually, still stamped with the birthmarks of the old society from whose womb it emerges" (MECW 24: 85). Accordingly, to some extent, features of the former political and legal system prevail. On the first phase everyone has equal rights and class differences are no longer recognized, but the principle of equality is still acknowledged in a bourgeois sense, which conveys that "unequal individual endowment, and thus productive capacity, as natural privileges" (MECW 24: 86) still exist. In accordance with the principle of distribution this purports that on this level of post-capitalist development there is "unequal right for unequal labour" (MECW 24: 86), which means that not everyone is treated equally.

Nonetheless, even on the lower stage of communism it is inappropriate to talk about a proletarian state or the permanent existence of the dictatorship of the working class. This idea became part of the Marxist tradition after Marx's death, thanks to the contributions of Kautsky and Lenin among others. In Marx's view, when the initial phase of communism has come to being a new system of governance rises on the fundamentals of the post-capitalist mode of production, the cooperation of freely associated individuals, where everybody has the chance to take part in the democratic coordination of economy and society.

Part III

Chapters from the History of the Socialist Calculation Debate

3.1. From War Communism to the Formulation of the Rational Economic Calculation Argument: Preludes for the Socialist Calculation Debate

Although one might think that it is absurd to construct a better economic organization than capitalism based on Marxian principles, it has been taken into consideration as a feasible alternative even decades after Marx had passed away. For instance in Soviet Russia during the period of War Communism that lasted for three years between 1918 and 1921 the Bolshevik leadership had induced efforts to realize some important measures of Marx's program of the future by aiming to abolish private property, money and division of labour. During that period in Soviet Russia it was a subject of debate how to measure costs of production without money.³⁸ Some of the Bolshevik economists, like Eugen Varga and Stanislav Strumilin reasoned that labour-time has to be used for measuring costs in socialism (see Steele 1992: 124, Brutzkus 2000: 14-15).³⁹ Not only were Bolshevik economist seeking alternatives for replacing money, which even Kautsky did not find possible to eliminate on the 'day of after the social revolution' because it "is the simplest means known up to the present time which makes it possible [...] to secure the circulation of products and their distribution to the individual members of society. It is the means which makes it possible for each one to satisfy his necessities according to his individual inclination (to be sure within the bounds of his economic power). As a means to such circulation money will be found indispensable until something better is discovered" (Kautsky 1902: 129).

Otto Neurath, member of the Vienna Circle's group of philosophers and scientists, was also committed to the idea of finding an alternative to monetary calculation. Neurath's idea was the model of war economy in Germany during the First World War, whose development and implementation is associated to the name of Walter Rathenau. This attempt of national economic planning under extraordinary

³⁸ There were Soviet economists, most notably Leonid Naumovich Yurovsky, who doubted the success of labour time calculation and regarded it as a problematic solution to the challenge of moneyless economic calculation. Yurovsky published *Essays on Price Theory* in 1919 when was residing in Moscow at the Saratov University. He claimed that calculation in labour time does not take into account that same individual efforts put in productive performance could bring different results (see Nove 1991, Barnett 2005, Allisson 2015).

³⁹ Varga and Strumilin were debating Alexander Vasilievich Chayanov who favoured calculation in kind, but could not offer a solution to the problem of how to measure different aggregate costs of various factors of production (labour, land, machinery, resources, materials) while assessing the total cost of inputs.

conditions of war began in 1914. In the first year of the war the Raw Materials Department of the War Ministry (*Kriegsrohstoffabteilung*) was introduced and was followed by the setup of other state controlled economic agencies such as war corporations (*Kriegsgesellschaften*) or the War Office of Food (*Kriegsernährungsamt*) which was created in 1916, and later ran under the name Reich Office of Food (*Reichsernährungsamt*) till 1919. During this period, economic production in Germany was subordinated to the main goal of winning the war and the supreme board of high military officials was in charge for commanding the economy (*Planwirtschaft*). Military governed state administration tried to apply a strong bureaucratic control over production and distribution, did powerful interventions in market mechanisms and also made efforts to control prices and monitor costs with mixed results in productivity both in the field of civilian and military supply (see Feldman 1966, Tooley 1999, Balderston 2010).

Neurath's own personal experiences with the Austrian and German war economy and his susceptibility to utopian thinking (see Uebel and Cohen 2004, Uebel 2008) draw him towards elaborating his own theoretical model of a moneyless economy, which he sometimes referred to as 'natural economy' (*Naturalwirtschaft*) in his writings, like in the collection of essays which was published under the title *Through the War Economy to the Natural Economy* in 1919. In general, his proposal was about a centrally planned economy where there is no need for monetary calculation and the means of production are owned collectively or become 'socialized'. In this economic system it is not necessary to use any kind of measure of value; it is enough to assess the quantity of different factors of production. Neurath thought of a strongly centralized system and drew the outlines of a Central Economic Administration (*Zentralwirtschaftsamt*) that incorporates different departments or offices that collaborate with each other in order to design a plan for the whole economy. In the hierarchical system that encompasses 'all economic positions and departments' it is the task of an office or ministry called the 'Center for Calculation in Kind' (*Naturalrechnungszentrale*) to collect and compare all kind of statistics from specific spheres of economy and society in order to get a 'universal statistic' which contains "the foundations of the economy in their interrelations and demonstrate their importance in living standards" (Neurath 2004: 385). Administrators of the office use calculation in kind and with the help of a 'universal statistic' they formulate several combinations of economic plans, while the Center of Rationalization

(*Rationalisierungszentrale*) of the Central Economic Administration is responsible for increasing productivity and improving living standards. Neurath's moneyless economic model targets organizing economic production as one giant factory, which rewards wages in kind to the workers with regard to their contribution to production. From the departments of the Central Economic Administration it is the Central for Organization (*Organisationszentrale*), which is in charge for developing a general price system. Under the subordination of the Central for Organization, the Central Bank (*Bankkonzern*) together with the Provincial Production Associations (*Landesverbände*) set out wages and salaries in kind "depending on danger, risk, comfort and strain, as well as location, the working method and the wage of the worker" (Cartwright, Cat, Fleck and Uebel 1996: 35). Moreover the Center for Production and Monetary Control (*Kontrollzentrale*) is liable for providing public information for everyone to make sure whether they used their money as well as common resources in accordance with the principles of the society-wide plan (see Cartwright, Cat, Fleck, Uebel 1996).

The Bolshevik attempts of War Communism and the economic policies of war economy in Germany during the First World War came into existence in times when polities that declared themselves to be communists or socialists, like the Hungarian, Slovak and Bavarian Soviet Republics appeared in Europe and the menace of Bolshevism reached even the United States inciting the First Red Scare in the country. All these phenomena could have an impact on Ludwig von Mises to write his paper in 1920 in which he stated that socialism cannot be a rational alternative to capitalism. However, it was Otto Neurath's theoretical proposal of a moneyless economy that prompted him to write his *Economic Calculation in the Socialist Commonwealth*.⁴⁰ Mises built his argumentation based on a lecture he delivered in 1919 at the Austrian Economic Society (*Nationalökonomische Gesellschaft*) on the ideas of Neurath (see de Soto 2010), whose name is concretely mentioned in the text which condemns him for overlooking "the insuperable difficulties that would have to develop with economic calculation in the socialist commonwealth" (Mises 1935: 108).

The general consensus is that it was the prominent figure of the Austrian

⁴⁰ The original German title of Mises's article was *Die Wirtschaftsrechnung im sozialistischen Gemeinwesen* and it appeared in the *Archiv für Sozialwissenschaft und Sozialpolitik*, which had published several works including *The Protestant Ethic and the Spirit of Capitalism* of Max Weber, who was also briefly an editor of the academic journal which existed from 1888 to 1933 when the Nazis came into power and many members of the editorial decided to flee from Germany.

School of economic thought, Ludwig von Mises's paper that triggered the socialist calculation debate. Relying on Mises's arguments, those who got involved in the debate generally accepted that a modern and integrated economy requires rational decisions and choices from agents, who need to act rationally in an ever-changing economic environment. If that is the case, in order to make rational decisions, actors need to perform rational economic calculation with universally acclaimed standards, because the "human mind cannot orientate itself properly among the bewildering mass of intermediate products and potentialities of production without such aid" (Mises 1935: 100).

The debaters, both advocates of capitalism and socialism tried to come to terms with what to use as a means of rational economic calculation, which creates a ground for a rational and well-functioning economy and enables agents to make rational choices from multiple variants of technically feasible projects.

Mises was certain that an economy simply could not exist without some form of economic calculation and claimed that rationality is not consistent with an economic system that abolishes private property. His contemporaries, most notably Max Weber and Boris Brutzkus, have also discovered the problem of economic calculation of socialism.⁴¹ In *Economy and Society* Weber appears to address criticism towards Neurath (see Steele 1992, Farrell, Luzzati, van de Hove 2013). Weber noted that money is the most perfect, but "most rational means of orienting economic activity" (Weber 1978: 540) and using it as a means of calculation is "thus the specific means of rational, economic provision" (Weber 1978: 540). However, he does not completely ignore the possibility of establishing a functioning centrally planned economy which uses calculation in kind or 'in natura' because he seems to accept that this can also be a rational technique of economic considerations and actions. Still, on the other hand, he doubts that such an economic system could perform better than monetary economies and faces problems for which it is unable to

⁴¹ According to Steele's analysis besides Weber and Brutzkus, other theorists of the late 19th and early 20th centuries, like Hermann Henrich Gossen, Friedrich von Wieser, Nikolaas G. Pierson or Enrico Barone were also aware of the economic calculation problem (Steele 1992: 74-84). The exploration of Steele on the origins of the calculation argument leads even back in time to Adam Smith who argued in the 1776 *Wealth of Nations* that the central authority of the state is incapable of planning the 'industrial life' efficiently. In Steele's interpretation Smith's main argument against state-directed or planned economy was that 'the sovereign' in charge for planning "cannot respond knowledgeably to the local information available to market participants" (Steele 1992: 73). However, Steele adds that Smith "was not confronted by demands for abolition of factor markets, and was not fully aware of the inter-relations of all markets via price-quantity relationships" (Steele 1992: 73).

find ‘objective solution’ (see Weber 1978: 583). For instance, Weber assumes that a ‘moneyless budgetary management’ is unable to adapt and respond effectively to changes in people’s wants and could only satisfy their basic demands, because taking care of complex needs that require comparing various alternatives of costs of production and value of goods exceed its calculating capacity. Furthermore, non-monetary economy has difficulties with allocating resources and to make improvements in productivity for the sake of satisfying more than fundamental needs, because it is incapable of making a comparison between the costs or values of different aggregates of means of production. Therefore, Weber claims that an economy which uses calculation in kind, such as land as a physical unit, cannot be successful because in that way “every stimulus to exact calculation would be eliminated and would have to be created anew by artificial means, the effectiveness of which would be questionable” (Weber 1978: 597).

Weber also makes some remarks in *Economy and Society* on the German war economy as well, which he does not reckon as a success attempt to perform calculation in kind. He mentions that the German war economy had only one objective and subordinated all other aspects of economic production to this single goal, which was winning the First World War. Thus the German war economy did not achieve its major goal as Germany failed to win the war. In addition, the insurmountable economic strategy of military subordination had seriously negative consequences in the post-war period and contributed to the collapse of the German economy in the middle of the 20s (see Weber 1978: 593-594, Steele: 86-87).

The problem of rational economic calculation in a centrally planned non-monetary economy raised the interest of Russian-born economist Boris Brutzkus, who gave an academic lecture in Petrograd in August 1920, two years prior to his exile, in which he condemned the early Bolshevik attempts of economic organization and claimed that it is inevitably doomed to failure (see Brutzkus 1935: xv and Steele 1992: 87). Brutzkus⁴² built his argument against central planning without money and market on the general claim that any kind of economic activity is obliged to meet the principle that its results must be in accord with its expenses. In a less complex and developed economy than modern capitalism, it is not very challenging to follow this

⁴² Brutzkus later summarized his reflections on the political economy of Marxian socialism and his experiences with Bolshevik Marxism in a book titled *Economic Planning in Soviet Russia*, which came out in 1935 with an introduction by Friedrich Hayek.

principle, but in a large-scale economy it causes complications and it requires at least that entrepreneurs pay attention for selling their products for a price which cover the costs which they had expended upon producing them (see Steele 1992: 87). He also argued that economic calculation is a spontaneous process where entrepreneurs evaluate the possible outcome of their investments as information or data. Under capitalist conditions, those entrepreneurs who do not perform economic calculation are punished for their negligence and instead of acquiring profit they will make losses, moreover they could put their whole fortune and social status at risk if they produce irrationally and/or without using the data available through evaluation. On the contrary, in centrally planned socialist economy the nonchalance or incompetence of administrators does not have a direct and immediate effect on their lives, however this wasteful producing activity may have a catastrophic consequence on grand scale:

If a large-scale concern is conducted without the assistance of proper calculation, its manager may nevertheless lead an untroubled life, however great may be the waste of society's means of production, which is caused by the irrational of the undertaking. Nevertheless, such a concern will be like a sick member of an economic, and even if the disease is not discovered it will not be the less dangerous for that; just as in the living organism a wound which causes no pain is not less dangerous. Thus there can be no greater peril to the socialist society than the atrophy of economic calculation, for this cannot but be followed by the disorganization of the whole economic system (Brutzkus 1935: 12).

Essentially, Brutzkus reasons that lack of proper economic calculation does not completely incapacitate the centrally planned socialist economy, but due to that the costs of production are not known precisely such economies will prove to be wasteful which leads disastrous consequences encoded in the false system.

Furthermore, in his critique of socialism he also highlighted another major difficulty the central administration have to face with when working out the society wide plan, which, interestingly, seems to resemble to the information argument of the Austrian School. Brutzkus reminds us that command economies aim to assess all the needs of every member of society for designing a plan, which task includes specifying all the goods that need to be produced. Collecting that huge amount of information exceeds the capacity of any economic administration even if it only has to survey and take care of the food supply of the population. Additionally, Brutzkus also argues that

unlike in capitalism, where “the development of any capitalistic undertaking corresponds exactly to its productivity” (Brutzkus 1935: 45), under socialism the direct connection between development and productivity breaks off, like it happened in Soviet Russia, where the Supreme Economic Council could only just “imagine that a connection exists between the flow of goods into the common stock-pot and the withdrawal of the means of production out of it” (Brutzkus 1935: 45), because they couldn’t make use of a general measure of account like money in a monetary economy. This way the administrative body had to decide rather by hazard, which enterprises and projects are worth to be developed or continued to be financed from public funds. (see Brutzkus: 1935: 37-46, Steele 1992: 87-88).

3.2. Ludwig von Mises’s Rational Economic Calculation Argument against Socialism

As it is shown, socialist attempts in the early 20s to replace commodity-producing market economies with non-monetary models had driven other economists to discover the problem of economic calculation. However, it is Mises’s rational economic calculation (*Wirtschaftsrechnung*) argument and his *Economic Calculation in the Socialist Commonwealth* that became widely known as the onset of a more than a century-long and still open discourse known to the history of economic thought as the set out those valuable pro and con arguments which are essential to make a scientifically valid and firm judgment about a socialist alternative to capitalism based on Marxian proposals.

The novelty of Mises’s challenge to socialism was that his reasoning was not based on an individualist concept of human nature dominated by self-interest, from which those type of arguments originate that hold that socialism is impossible because without incentives which allow private savings and wealth accumulation it is nonsensical to encourage people to perform productive work.⁴³ Instead of relying on

⁴³ From the middle of the 19th century to Mises’s time many anti-socialist authors formulated arguments on the basis of statements on natural human selfishness and lack of motivation to tackle socialism without money. Special emphasis is given to the incentive argument in English works such as John Rae’s *Contemporary Socialism* (1891) and *A Critical Examination of Socialism* (1907) by William Hurrell Mallock. Theorists of the German historical school of the 19th century, especially Albert Schäffle also employed the incentive argument to refute the socialist alternative to capitalism. Moreover Schäffle deployed other reasons as well to contest socialism which show resemblances to the

general claims on human nature to refute the aspiration of Marxists who wanted to put an end to capitalism, Mises only gave secondary importance to the incentive argument and attempted to prove that the socialist alternative to capitalism is a logical impossibility. He reasoned that the elimination of private property, market and monetary prices is in general equals to “the abolition of rational economy” (Mises 1935: 110).

In *Economic Calculation in the Socialist Commonwealth* Mises commences the argumentation with the remark that many socialist have never tried to conceptualize the political economy of socialism. Most of them never even thought about what kind of problems may appear in post-capitalism, they were more into fiercely criticizing capitalism and ‘bourgeois economists’. In this manner, socialists were like utopian dreamers, who could explain all kinds of ways “how, in the cloud-cuckoo lands of their fancy, roast pigeons will in some way fly in the mouth of comrades, but they omit to show how this miracle is to takes place” (Mises 1935: 88), but when they entered in the field of economics it was easy to prove that their beliefs are false.

Socialists believe in a society where there is no private property and the means of production are under collective ownership. This claim in itself is enough for Mises to tackle socialism with his rational economic calculation argument. For all intents and purposes, Mises’s set out his argument and wrote his paper in the defence of private property and it can be argued that all of his other arguments against socialism could be derived from the private property argument (see Boettke 2001).

The line of reasoning of *Economic Calculation in the Socialist Commonwealth* begins with the premise that when the means of production are not owned by anyone, but shared and disposed collectively, it is necessary to establish an administrative body, otherwise the community will not be “in a position to employ its powers of disposal” (Mises 1935: 89). Through the administrative body the community could decide how to use the means of production and besides exercising control over production goods, which are “an inalienable property of the community, and thus *res extra commercium*” (Mises 1935: 91), this agency is also in charge for the distribution of produced goods with regard to the needs of all members of society. For managing

Austrian calculation argument as it is revealed in the closing section of the thesis (3.11. *Contemporary Critiques of Socialist Central Planning in the Light of the Modern Austrian Calculation Argument*) through Geoffrey Hodgson’s introduction to Shäffle’s arguments.

the task of distribution effectively and by treating everyone equally, the central administration has to issue coupons, which are redeemable for consumer goods within a limited time. Even though these coupons cannot be marketed or be a subject of commercial transaction they are at the free disposal of those whom they belong to. This implies that, although in some kind of limited or deficient form, exchange will continue to exist in the socialist commonwealth. If so, there is a need for a 'universal medium of exchange', by which the setting and comparison of the value of socially produced goods could be implemented. Mises claims that the most practical unit of account is money, however, in a socialist commonwealth it cannot fulfil its role which it plays in capitalism, because, as previously indicated, socialism abolishes private property and brings down markets. Briefly, under socialism the means of production cannot be exchanged and it is also not possible to set or determine their monetary value. Mises's conclusion is that money as a universal medium of exchange "could never fill in a socialist state the role it fills in a competitive society in determining the value of production-goods. Calculation in terms of money will here be impossible" (Mises 1935: 92).

Mises reasons that without private property and with the absence of the market, money cannot function as a means of exchange in a socialist commonwealth. This does not seem to cause any serious problems of economic calculation in a rudimentary economy, as in Robinson Crusoe's subsistence economy, where the overall process of production is so simple that it is not a great challenge to make input-output accounts. However, even in a subsistence economy set up for providing basic needs, valuation is used to determine the value of production and consumer goods. Nevertheless, in order to calculate the ratio of outputs to inputs used in production, a precise monetary calculation is not necessary. It is enough for producers to estimate or approximate input-output ratios. This is not the case in a complex and dynamic economy, which simply cannot get on without precise economic calculation: the complexity of the production of goods and services justifies per se the necessity of precise economic calculation in modern economies.

Nonetheless, the central administration of the socialist commonwealth attempts to find a replacement of money, which makes precise and rational economic calculation possible. Marx's offers labour time as a replacement of money, but this alternative proves to be problematic solution as it is pointed out by Mises. He argues that the main problem with calculation in labour time or, in his words 'calculation in

terms of labour' is that it fails to take into account the heterogeneous character of labour:⁴⁴

labour is not a uniform and homogenous quantity. Between various types of labour there is necessarily a qualitative difference, which leads to a different valuation according to the difference in the condition of demand for and supply of their products. For instance, the supply of picture cannot be increased, *ceteris paribus*, without damage to the quality of the product (Mises 1935: 94).

One labour differs from another according to measures of skill, quality, intensity and countless other factors, thus it is impossible to make a comparison between various types of labour performed in the same amount of time, like comparing the performance of a dentist or a system administrator, who both work on a basis of 8 hours. Additionally, Mises mentions that calculation in labour time underrates the value of non-reproducible or non-renewable natural resources, which are scarcely available and thus need to be economized cautiously (Mises 1935: 113-114).

In the light of the previous argument, Mises calls for an objective measure or unit which makes the precise valuation of goods possible and enables rational economic calculation. He doubts that use value or utility⁴⁵ would serve as an objective

⁴⁴ For this ignorance Mises blames Marx, who did not make a difference between skilled and unskilled labour, and suggested reducing the former to the latter. To underline his claim, Mises features in his paper the following direct quote from the first volume of Marx's *Capital*: "Skilled labour counts only as simple labour intensified, or rather, as multiplied simple labour, a given quantity of skilled being considered equal to a greater quantity of simple labour. Experience shows that this reduction is constantly being made. A commodity may be the product of the most skilled labour, but its value, by equating it to the product of simple unskilled labour, represents a definite quantity of the latter labour alone. The different proportions in which different sorts of labour are reduced to unskilled labour as their standard, are established by a social process that goes on behind the backs of the producers, and, consequently, appear to be fixed by custom. For simplicity's sake we shall henceforth account every kind of labour to be unskilled, simple labour; by this we do no more than save ourselves the trouble of making the reduction" (MECW 35: 54).

⁴⁵ In defence of calculation in labour time, the advocates of Marx's labour theory of value could refer to use value as a general base for non-monetary economic calculation. According to Marx's reasoning in the beginning of *Capital I* the use value of an article is determined by socially necessary labour time. Additionally, in the opening chapters of the first volume of *Capital* Marx carries out a lengthy discussion about the role of use value or utility in determining the value of a product and also marks that the same amount of labour could produce different use values (MECW 35: 45-58). However, Marx does not give any credit to utility in setting exchange values, what is more, he remarks derisively that everyone is aware that, "if he knows nothing else, that commodities have a value form common to them all, and presenting a marked contrast with the varied bodily forms of their use values. I mean their money form" (MECW 35: 57-58). However calculation in labour time seems to fail to take into account the utilities of different products, because instead of focusing on the outcome of production, it

measure of valuation, because “[m]arginal utility does not posit any unit of value, since it is obvious that the value of any two units of a given stock is necessarily greater than, but less than double, the value of a single unit. Judgments of value do not measure; they merely establish grades and scales” (Mises 1935: 96-97). Using a subjective unit of measure for economic calculation such as utility would cause problems even in the subsistence economy of Robinson Crusoe. Mises states that Robinson Crusoe would not be able to run a simple hand-to-mouth economy on a deserted island with only making estimated calculations based on the subjective utility of goods. Even for this he must make allowance for what costs economic goods could be produced and how they could be substituted for each another and accomplishing these elemental calculations require an objective judgment of value. Even though making a hierarchy of economic goods depending on their ‘pain-cost’ of production is a possible solution for finding an objective unit of account in Robinson Crusoe’s economy, it is not an expedient option when the courses of production are more lengthy and complex than in a hand-to-mouth economy.

Mises declares that in an economy where exchange occurs “the objective exchange-value of commodities enters as the unit of economic calculation” (Mises 1935: 97). Using objective exchange values as units of economic calculation has many advantages. Apart from that objective exchange values make it possible to determine the value of any economic goods consistently the fact that it “arises out of the interplay of the subjective valuations of all who take part in exchange” (Mises 1935: 97) also casts in its favour. Besides that, Mises also claims that by using economic calculation based of objective exchange value as a unit of account anyone could get some direct feedback on whether they made a good or bad use of the goods at their disposal. Moreover, one’s success or failure may serve as a reference to others on how to appropriately employ economic goods. Last but not least, objective exchange values enable to trace back values to a unit, and in a monetary economy, where “goods are mutually substitutable in accordance with the exchange-relations obtaining in the market” (Mises 1935: 98) it is money that is chosen to serve this purpose.

puts more emphasis on the productive process per se. Hence, it is probable that by using calculation in labour time the central administration will concede to make a value distinction between two products whose production requires the same amount of socially necessary labour time, yet their use values can be different. If labour time is used for calculation it could easily be the case that in reality one product is practically more valuable than another although they were produced in an equal amount of time.

Even if market and money would prevail in post-capitalism – so the post-capitalist mode of production would be some kind of a distorted or bounded exchange economy – neither of them could fulfil the function they had in capitalism, because property relations are also changed. With this in mind, Mises insists that unlike under capitalism, where objective exchange values are expressed in monetary units, in a socialist state it is impossible to reduce “this value to the uniform expression of money price [...]”. In a socialist commonwealth which [...] finds it impossible to use money as an expression of the price of the factors of production (including labour), money can play no role in economic calculation” (Mises 1935: 108).

Mises’s rational economic calculation argument identifies the abolition of private property as the core of the problem with the socialist alternative. He acclaims socialism as a logical impasse because in an economy where “there is no free market, there is no pricing mechanism; without pricing mechanism, there is no economic calculation” (Mises 1935: 111). His argument rests on the premise that as long as economic goods are scarcely available agents of production have to make a choice based upon their ability of calculative rationality in order to choose from the variety of equally feasible economic projects. Mises suggests that without calculative rationality in decision-making no economies shall exist. Correspondingly, without rational economic calculation the “human mind cannot orientate itself properly among the bewildering mass of intermediate products and potentialities of production” (Mises 1935: 110) and is not capable of resolving problems of management and allocation that the scarcity of goods and resources makes necessary in any economy.

In agreement with Boettke’s interpretation of Mises’s rational economic calculation argument, I think that Mises pointed out to an everyday challenge that economic agents, as decision-makers, face and try to implement within the existing means and capabilities. The originality of Mises’s reasoning was that the Austrian economist managed to plead, with convincing arguments, the premise that this ability of rational decision-making is unable to function without the institutional environment established on the foundation of private ownership in the means of production (Boettke 2001: 31).

Economic calculation serves as “a means to select from among these projects to assure that resources are employed in an economic matter” (Boettke 2001: 32). Under capitalist conditions, if entrepreneurs miscalculate, make wrong decisions, do not make use of the available resources economically, their efforts result in waste,

otherwise they probably generate profit. In both cases an automatic feedback from the market arrives and informs them if they happen to make a mistake and/or if some kind of correction is needed. Thanks to the feedback received from the market in form of loss and gain, entrepreneurs have a chance to find errors and make corrections and also keep an eye on changes in consumer preferences, technology and resources for their future investments.

Corresponding to that idea, Mises wrote nearly two decades after the publication of the original essay on the challenge of economic calculation in socialism in his book, *Human Action: A Treatise on Economics*⁴⁶ that “[e]very single step of entrepreneurial activities is subject to scrutiny by monetary calculation. The premeditation of planned action becomes commercial pre-calculation of expected costs and proceeds. The retrospective establishment of the outcome of the past action becomes accounting profits and losses” (Mises 1998: 230). He described economic calculation as both an estimation of the potential result of a future action or an affirmation of the outcome of a former action (Mises 1998: 230, Boettke 2001: 31). In an economic and social environment where the means of production are privately owned no individual is prevented institutionally from making use of this ability, while socialist administrators seem to keep themselves in the dark, when calling for abolishing private property along with the institutional context it creates, which makes economic calculation possible.

Socialists who imagine the economy of the future society without private property, market and money are like sailors who try to navigate their ship on the ocean without using a compass. As Mises explained later in *Socialism: An Economic and Sociological Analysis*, a complex and advanced economy cannot function without the compass of economic calculation, which “provides a guide amid the bewildering throng of economic possibilities [....]. Without it, all production by lengthy and roundabout processes would be so many steps in the dark” (Mises 1951: 117). In this work, originally written in 1922, Mises also noted that if it is possible to prove that economic calculation does not work in socialism, it would also refute that the socialist project of economic and social organization is feasible and workable alternative to

⁴⁶ Actually, the German predecessor of the aforementioned book appeared in 1940 under the title *Nationalökonomie: Theorie des Handelns und Wirtschaftens*. After emigrating to the United States Mises used the original *Nationalökonomie* as a draft for writing *Human Action*, which was published first in English by Yale University Press in 1949.

capitalism (Mises 1951: 135, Boettke 2001: 32).⁴⁷

Mises's economic calculation argument shows resemblances with the Weberian approach of rationality as it also assumes that rational calculation came into being in the sphere of production as the result of historical and civilizational development. Accordingly, in a market- and monetary economy founded on the principle of private property, entrepreneurial planning takes into consideration the experiences of the past embodied in the method of rational economic calculation. Mises does not suggest that economic calculation under capitalism runs smoothly and without defects in the *Economic Calculation in the Socialist Commonwealth* (Mises 1935: 98-99), yet he is certain that realizing the Marxist vision of the collective expropriation of all means of production and overthrowing money and market as mediums of economic coordination poses an overall threat to economic rationality.

Although Mises seems to reject outright the feasibility of the socialist project of economic and social organization it is important to notice that he does not completely exclude that it is possible to establish a socialist order without money and market if an alternative and functioning method of non-monetary calculation is available, which creates some tension in Mises's work of 1920 (Saros 2014: 76). However it is certain that Mises leaves no other option except choosing between free market monetary economy and socialist central planning.

Altogether, whether socialism is a logical impossibility or it is proven to be a futile undertaking to introduce a rational alternative to monetary calculation on the basis of the Marxian labour theory of value, Mises intends to demonstrate that a centrally planned socialist economy cannot be a serious contender in the competitive market system of capitalism. From his perspective, socialism only just seems as a realizable project, but in reality it has no more to offer than getting over with rationality. Unlike those societies where the institutions of private property, money and market are able to fulfil their economic functions socialism does not have the capacity to solve the challenge of rational calculation with success.

⁴⁷ Mises in *Socialism: An Economic and Sociological Analysis* makes a more dramatic statement regarding that it is impossible to realize the socialist alternative if economic calculation is not practicable in socialism, but it will not make any difference: "Everything brought forward in favour of Socialism during the last hundred years, in thousands of writings and speeches, all the blood which has been split by the supporters of Socialism, cannot make socialism workable" (Mises 1951: 135).

3.3. Socialist Concessions to the Market during the Interwar Period and Oskar Lange's Model

Since the release of the *Economic Calculation in the Socialist Commonwealth* many socialist theorists and economists have tried to offer solutions to the Misesian challenge of economic calculation, especially after it had gained more publicity when its English edition came out in 1935 as part of the essay collection, *Collectivist Economic Planning* edited by Friedrich Hayek. By the time Mises's paper was published in English, major significant changes had already taken place in the Soviet Union, and around the globe, which brought new light on the discourse about the feasibility of socialism and rational calculation in a socialist economy.

By the mid-30s the Soviet state had not only given up the ambitions of War Communism to create a non-monetary economy without commodity production, but had already abandoned the path of the New Economic Policy (NEP), which introduced capitalistic elements and even gave more scope to the private sector in the centrally planned economy. The Soviet command economy did not seem to crush but proved to be viable and efficient to some extent by holding onto commodity production and using money as a currency, a store of value and a measure of account. The overwhelming collective restructuration of the agricultural sector was in process as part of the first 5-year plan, which was introduced 1928 during the time Stalin consolidated his power as the ultimate leader of the USSR.

In addition, due to the economic crisis of the 30s even capitalistically advanced countries such as the United States strengthened the role played by the state in the economy, not to mention those European countries like Italy and Germany, which not only lost the First World War, but were also seriously struck by the Great Recession and stepped onto the road to autocracy, which resulted in the development of the totalitarian state. These general tendencies made Hayek to note at the very beginning of his introductory essay in the *Collectivist Economic Planning* that in this era, "there is hardly a political group anywhere in the world which does not want central direction of most human activities in the service of one aim or another" (Hayek 1935a: 1).

In the line of those who attempted to reply to Mises and joined the socialist calculation debate around the time when the English version of his article appeared in

Hayek's collection of essays, there are advocates of socialist central planning as well as supporters of market socialism.⁴⁸

Fred M. Taylor had already come up with a solution that made him join the side of market socialists in 1928. On the pages of the *American Economic Review*, Taylor introduced a model that made some concessions to the market and offered a trial-and-error or 'tâtonnement' (groping) method for the socialist administration to adjust prices, costs and incomes in consonance with the occurrence of shortages and surpluses, while he did not prefer to restrain citizens of the socialist state in spending their income on products of their choice, whether these products were made and offered to consumption by the private or public sectors of production (Taylor 1929, Saros 2014).

Like Taylor, Henry Douglas Dickinson also came up with a proposal in articles published in the organ of the British Economic Association, *The Economic Journal* to answer Mises. Dickinson argued that the administrative agency of the centrally planned economy would be able to rise to the challenge of economic calculation by using a system of simultaneous mathematical equations based on statistics in order to estimate the balance between supply and demand in the future. Dickinson's model is founded on the marginal cost theory and it suggests that only the 'Supreme Economic Council' is capable of making those complex mathematical equations which are necessary for running the economy, thus such a model always carries the potential risk that an elite group of people emerge from those who are in charge of planning and administration (Saros 2014: 71). It also questionable that the model of Dickinson would introduce alternative economic laws which would replace and succeed capitalist ones. On that basis Maurice Dobb criticized Dickinson's market socialist solution from the mainstream socialist position of the time in an article, which also came out in 1933 in *The Economic Journal*. Dobb simply argued that a centrally planned socialist economy has to have its own economic laws and particular methods of calculation and socialist theorists got to strive to identify these laws (Saros 2014: 72), but the Marxist theorist failed to practically explain how they should get started to complete this task.

Dobb's remarks and suggestions have also been tackled from the left. In

⁴⁸ The term 'market socialism' became commonplace in the early 20s for labelling those theorists like Eduard Heimann and Karl Polanyi, who also tried to respond to Mises by accepting, more or less, the role of the market contrary to the general view that socialism precludes elements that characteristically and essentially belong to the realm of capitalism (see Steele 1992).

defence of Dickinson and market socialism Abba. P. Lerner accused Dobb with dogmatism in a paper entitled *Economic Theory and Socialist Economy*, which appeared in 1933 in the then recently launched *The Review of Economic Studies*. One of his main arguments was that, like Mises, Dobb throws in dogmatic claims so to prove that pricing is not possible in socialism (Saros 2014: 72). He insisted that Dobb's attempt was to sabotage the socialist calculation debate, moreover he noted that Leon Trotsky has admitted so far that it is not even possible to think about accounting in an economy where market relations no longer exist (Saros 2014: 72). Lerner also added that Dobb's critique of Dickinson's market socialist proposal is only relevant in the case if one could work out an alternative method of economic calculation for socialism independent from market relations (Saros 2014: 72).

The popularity and influence of Taylor's, Dickinson's and Lerner's market socialist conceptions in defence of socialism cannot be compared to the model developed by Oskar Lange. It was developed as a direct response to Mises's critique of socialism and in the text in which it was published⁴⁹ Lange retorted that Mises deserves "an honourable place in the great hall of the Ministry of Socialisation or of the Central Planning Board of the socialist state" (Lange 1936: 53.). This competitive model, which adopted the concept of Pareto efficiency and marginal cost pricing instead of relying on Marx's labour theory of value, brought the socialist calculation debate to a new level in the mid-1930s.

According to the interpretation of Daniel E. Saros, Lange attempted to solve the difficulties that makes the socialist project unfeasible and arises from choosing between various alternatives of allocating available resources by delivering "(i.) a preference scale which guides the activity of choice, (ii.) knowledge of the 'terms on which alternatives are offered,' and, (iii.) knowledge of the amount of resources available" (Lange 1936: 54, Saros 2014: 73). Lange argued that if all these data were accessible and assessable then socialism could successfully cope with the economic problem of choice (see Saros 2014).

Lange's model calls for the collective ownership of means of production, so it does not allow them to be exchanged, however it does permit the market of consumer

⁴⁹ Lange introduced his model in the same year in the same academic journal, *The Review of Economic Studies*, which had formerly brought out Lerner's objections to Dobb's suggestions. Despite the fact that one may question its novelty or originality – especially in view of Enrico Barone's and Fred M. Taylor's earlier contributions (see Cuomo and Jossa 1997: 9-14, Saros 2014: 70-71) – it is hardly arguable that Lange's response to the Misesian challenge to socialism caused great concern among Austrian economists like no other socialist proposals at the time.

goods for the reason that the “freedom of choice of occupation is maintained and that the preferences of consumers, as expressed by their demand prices, are the guiding criteria in production and in the allocation of resources” (Lange 1936: 58). Therefore goods are allowed to enter the market and commodity production is sustained in communism: products are bought and sold on the market for a price which is mainly determined by how many potential consumers are willing to pay for the products offered for sale.

Prices in the Langean model are regarded as “substitutional factors” (Lange 1936: 58) or mentioned as “indices of alternatives” (Lange 1936: 61), which implies that prices do not solely express what amount of labour, raw material, resource, infrastructural capital, etc. were spent on producing commodities, but they also express what value-producing alternatives had been sacrificed for the purpose of realizing the one which had been chosen by the supreme body of administration, the Central Planning Board (CPB). Lange concludes that as “prices are indices of ‘terms on which alternatives are offered’ the method and scale of production which minimizes average cost also minimizes the alternatives sacrificed” (Lange 1936: 62), therefore socialist planners of production have to be intent on satisfying consumer wants with sacrificing the minimum number of alternatives in producing goods.

Although means of production are common goods and shall not be exchanged, the CPB – which is responsible for working out plans for the socialist economy – also has to determine their value too, because producing consumer goods requires their use. While consumer goods have a market price, production goods only hold an ‘accounting price’, which is set by the CPB. For accounting, the CPB needs to apply some kind of market simulation and hold onto the market price of consumer goods to determine accounting prices.

In an optimal case, which is a state of economic equilibrium, a commodity appears on the market for a price which is in conformity with consumer demands and equals the aggregate value of inputs which had been used for producing it. Therefore, on the whole, the equilibrium price of a product matches the overall accounting price of those means of production which had been used for its production. Endeavouring to create a state of equilibrium, the CPB shall price consumer goods and entrust socialist managers with selling them on the market for a price equivalent to the commodities’ average cost of production. As a matter of fact, Lange is not as naïve to assume that economic equilibrium could be achieved at one go by applying this basic tenet of

pricing. He claims that it is more likely, especially at first when the administrators of the CPB price consumer goods by taking into account the accounting price of inputs will fail to get the equilibrium price at first shot, hence socialist managers will not offer these goods for sale at prices that align with the value of means of production disposed for their production. However, the market is at their service to make corrections and sell commodities for the average cost of production so to reach the state of equilibrium:

Any price different from the equilibrium price would show at the end of the accounting period a surplus or shortage of the commodity in question. Thus accounting prices in a socialist economy, far from being arbitrary, have quite the same objective character as the market prices in a regime of competition. Any mistake made by the Central Planning Board in fixing prices would announce itself in a very objective way: by a physical shortage or surplus of the quantity of the commodity or resources, in question, and would have to be corrected in order to keep production running smoothly (Lange 1936: 64).

Socialist managers are likely to fail their task if they sell products for a price which is (i.) lower than its average cost of production or (ii.) higher than total aggregate of value of those producing goods which had been used for making the commodity in hand (Lange 1936: 66). In the first case when (i.) a commodity is sold for a lower price a decline will show in demand for the product on the market of consumer goods because they are cheaply accessible. In that case socialist managers need to increase the price of the product to get closer to the desired equilibrium price. In the other case when (ii.) a product is offered for sale at a higher price than the aggregate value of production, then there will be an increase in demand, which means that the CPB has to act reversely as in the former case and lower the price of the commodity. Lange is certain that by employing this trial and error method the central administrative agency of production will successfully determine equilibrium prices.

At first the CPB technically fixes prices randomly, because using this trial and error method “based on the *parametric function of prices*” (Lange 1936: 66). Nevertheless, in the end of the trial and error process the planning board will come up with an ‘objective price structure’ which will enable them to set ‘accounting prices’ as properly and effectively as in a competitive market economy without having a “complete list of the different quantities of all commodities which would be bought at

any possible combination of prices of different commodities which might be available” (Hayek 1935: 211) – quotes Lange from Hayek’s paper which had appeared a year before he introduced his competitive market model in defence of socialism.

The paper from which Lange quotes was published in the collection of essays which was revised by Hayek and came out in 1935 under the title *Collectivist Economic Planning*. This collection not only contained the essays of economic theorist such as N.G. Pierson, Georg Halm and Enrico Barone who tackled socialist proposals and Mises’s original article that launched the socialist calculation debate, but also included the editor’s own papers in which Hayek formulated his own arguments against socialism.

3.4. Friedrich Hayek’s Early Contribution to Socialist Calculation Debate

It is a widely held that while Mises revealed the logical impossibility of socialism with the rational calculation argument, his disciple, Friedrich Hayek intended to prove that socialism is a practical impasse because gathering together and process all the information necessary for running the economy goes beyond the computing capacity of the socialist system. Hayek aimed to put socialism to the test by emphasizing a fundamental problem of rational economic calculation connected to assessing information and knowledge. He reasoned that information and knowledge required for production is never accessible in a concentrated or ready-made form but diffused all over economy as well as society:

The usual theoretical abstractions used in explanation of equilibrium in a competitive system include the assumption that a certain range of technical knowledge is anywhere concentrated in a single head, but all kinds of knowledge will be available [...]. In a centrally planned society [...] knowledge has to be concentrated in the heads of one or at best very few people who actually formulate the equations to be worked out. It is hardly necessary to emphasize that this is an absurd idea, even in so far as that knowledge is concerned which can properly be said to ‘exist’ at any moment in time. But much of the knowledge that is actually utilized is, by no means, ‘in existence’ in this ready-made form. Most of it consists in a technique of thought which enables the individual engineer to find new solutions rapidly as soon as he is confronted with new constellations of circumstances (Hayek 1935: 210-211).

These lines in Hayek's essay from the *Collectivist Economic Planning* underline that his arguments against socialism were based on the philosophical presupposition about the nature and form of knowledge. It is precisely an epistemological premise which claims that knowledge required for organizing and coordinating a complex economic system effectively is dispersed amongst those who possess this knowledge and it is absurd to think that it is possible to collect them altogether by a single institution or to insert it into the head of a single authority responsible for planning and running the economy.

The philosophical idea of the disperse character of knowledge which makes the efforts of socialist central planning technically impossible had also occurred in Mises's studies (see Boettke 2001). In his work of 1927, *Liberalism in the Classical Tradition* Mises tried to prove that without taking into account the "intellectual division of labour that consists in the cooperation of all entrepreneurs, landowners, and workers as producers and consumers in the formation of market prices" (Mises 1927: 75) rational economic calculation is not just impossible, but unthinkable, and this foregoing of the socialist central planning proves to be 'the decisive objection' that economics oppose to the possibility of socialism.

Hayek does not disregard that Mises had already alluded to the disperse character of information in complex industrial societies when he introduced his arguments against socialism and he refers to Mises's contribution as "the starting point from which all the discussions of the economic problems of socialism, whether constructive or critical, which aspire to be taken seriously must necessarily proceed" (Hayek 1935: 33). Although it does not escape Hayek's attention that before Mises, Boris Brutzkus and Max Weber had already attempted to discredit socialism from the economic approach of rational calculation, he gives credit to his master for developing and exposing the problem in a more refined manner (see Boettke 2001: 36). On the other hand, the evaluation of the course of the calculation debate shows that he does not deem that Mises's critique successfully disproved socialism, but rather claims that he only had proved a specific type of socialism wrong, that particular form of socialist central planning of the early 20s. With this in mind Hayek warns that it cannot be ruled out that once socialist theorist will invent models which will be able to rise to the Misesian challenge of rational economic calculation or turn out to be immune to such criticism (Hayek 1935: 38).

As previously discussed, market socialist theorists came up with alternative models in the 30s, which seemed to meet the challenge. This called for the re-evaluation of the original line of the Austrian argument. Hayek felt competent to examine and revise the argument which Mises had formulated in 1935 to struggle against the criticism of “some of the most recent developments of English speculation” (Hayek 1935: 40) before Lange’s model came along and changed the face of the debate once again.

At the beginning of the paper, which opens the *Collectivist Economic Planning* and is meant to give an account of the course of the socialist calculation debate, Hayek makes it clear that reasoning built on the problem of incentives and lack of motivation due to the absence of money is not sufficient in itself to argue that socialism is unfeasible, merely because it “does not really touch the heart of the problem” (Hayek 1935a: 2) with socialist central planning. This does not imply that Hayek accepted the peculiar idea that socialism fundamentally changes human nature to such an extent that people will get over with self-assertive and possessive individualism evoked and sustained by capitalism, and, thus, in the communist society productive activity will be performed for the benefit of the entire population. Instead, he reasons that such a question of incentives and motivation falls outside the domain of scientific discussion in economics and belongs to the field of psychology and ethics. Economics, as a science, shall not turn to other disciplines like ethics and psychology in order to refute socialism, it has to rest on the grounds of its own area of expertise to prove that socialist central planning is not able to make rational and economical choices which is certain requirement for a well-functioning economy.

Like Mises, Hayek also begins his investigation on the problem with reminding his readers that socialists failed to elaborate on the economic structure of the collectivist society. According to Hayek’s assumption, they did not feel a necessity to do so because (i.) they were convinced that “there would be no economic problems in the socialist world” (Hayek 1935a: 3). This idealistic though is traced back to the one-sided socialist view that capitalism is an imperfect system compared to communism. Socialists believe that the abolition of private property, division of labour, commodity production, market and money, the irrational, chaotic and individualist system of the capitalist mode of production will be replaced by a well-functioning economic and social order where economic problems and difficulties due to rational organization of the command economy. Apart from that, socialists may

argue that (ii.) the difficulties that the post-capitalist mode of production will have to solve in the future, will be completely different from the problems of the currently existing economic system, therefore it is pointless to discuss them before the arrival of communism. In short, Hayek thinks that for socialists the problems “which the economist sees and which he contends will also have to be solved in a collectivist society, are not problems which at present are solved deliberately by anybody” (Hayek 1935a: 3-4).

Hayek notes that it is by no surprise that socialists refuse to discuss about the political economy of socialism. Marx did the same and his socialist advocates only followed suit. In Hayek’s view, Marx’s refusal to make positive claims about the economy of the future society originates from his ‘Historismus’, his commitment to the German historical school of economics. Marx “did wholeheartedly accept the central contention of the historical school that most of the phenomena of economic life were not the result of permanent causes but only the product of a special historical development” (Hayek 1935a: 12), therefore he believed that all kinds of speculation about the future order of things were utopian or unscientific. His attitude had a serious effect on socialist economic thought that rose out from Marx’s oeuvre and in this self-proclaimed scientific Marxist circle one who would speculate about the communist future could easily become a subject of accusations for making ‘unscientific’ claims. Despite that, Hayek notes, Marxist have begun to engage in speculation formerly declared as utopian and unscientific as a reaction to criticism they had received.

Hayek is more soft and cautious about denouncing their ideas of central planning than Mises. He does not think that socialism a logical impossibility, however he argues that socialist central planning is doomed to failure in practice. In order to underlie his argument he makes a distinction between planning and socialism. He appears to define the latter as the common goal of all socialist movements: socialism is a classless society with the collective ownership of the means of production, while central planning is considered as a means for accomplishing this goal. Correspondingly, Hayek takes into consideration that “it is possible to have much planning with little socialism or little planning and much socialism” (Hayek 1935a: 15), so, planning could be used for purposes, which are not associated with the aims of socialists in general, and, conversely, it is not appropriate to preclude without thorough consideration that socialism is possible without planning (Hayek 1935a: 15-16).

Hayek acknowledges that various types of socialism are possible, which differ from each other according to the level of centralization of the economy. Instead of engaging in a theoretical investigation on the possibility of socialism like Mises, Hayek attempts to examine a certain configuration of socialism and planning, viz. the Soviet model which made technological improvements up to the 1930s, but these accomplishments cannot be considered as undeniable affirmation of success. As an alternative, Hayek proposes other criteria for making a sophisticated judgment about the success of the Soviet model in the second essay which he published in the *Collectivist Economic Planning*, and these standards are the following: “[i.] the goods which the system actually delivers to the consumer and [ii.] the rationality or irrationality of the decisions of the central authority” (Hayek 1935b: 205). In the light of the first condition (i.) it is not hard to prove that the Soviet model is not successful because in producing commodities for supplying the basic needs of the population the economy of the USSR performs worse than the Russian Empire before the Bolshevik revolution, not to mention its capitalist competitors on global scale. As for the second criterion, (ii.) Hayek reminds his readers of the economic failure of War Communism at the beginning of the 1920s, which in his opinion, proved the prognosis of Ludwig von Mises and Boris Brutzkus right, who had foreseen that rational economic calculation is not possible in an economy which disclaim the crucial role of money and market prices in economic decision-making, especially their non-replaceable function in everyday situations when people need to make rational choices among various economic projects which are equally feasible.⁵⁰ Hayek also mentions that the bad experience with War Communism made the rulers of the Soviet Empire revise their economic policy and the development after 1921 is the result of the “repeated reversals of policy” (Hayek 1935b: 206), which also proves the irrationality of performing economic calculation without money, yet he feels the need of further systematic analysis to disprove the socialist alternative of a centrally planned collectivist economy to the competitive system of capitalism.

⁵⁰ Hayek has already mentioned this problem in his first essay in the *Collectivist Economic Planning* in which he warned that such difficulties arise from the moment when “different purposes compete for the available resources. And the criterion of its presence is that costs have to be taken into account. Cost here, as anywhere, means nothing but that the advantages to be derived from the use of given resources in other directions” (Hayek 1935a: 6). He thought that even if it is supposed that the ‘directors’ of the economy are quite certain about that the food of one person is always more important than the clothing of another, that would by no means necessarily imply that it is also more important than the clothing of two or ten others (1935a: 7).

Rather than bringing forward empirical data to show the weaknesses and implausibility of socialist central planning, like Mises, Hayek also attempts to prove in theory that the absence of private property and the collective ownership of means of production prevent rational economic calculation. His main intention is to demonstrate that in such an economic environment those who are in charge of decision-making by no means will be able to determine which worth capital expenditure form the many technologically and economically feasible projects.

To disprove socialist central planning in theory he sets in an epistemological argument about the disperse character of knowledge: he insists that for making equations and deciding about the allocation of scarce resources “a certain range of technical knowledge” (Hayek 1935b: 210) is required, which is never available in concentrated form in a complex economy, therefore cannot be collected together by a central authority. All the information, which is necessary for rational economic calculation, is dispersed among those individuals who perform economic activity and make decisions as producers, entrepreneurs and/or consumers. In a competitive system, individually possessed technical knowledge is made available through the market, more particularly through market prices, which provide information and guide agents to make decisions. Technical knowledge becomes accessible for individual agents via market processes, particularly through calculations that prices make available and “those that make the most appropriate use of the technical knowledge will succeed” (Hayek 1935b: 210). Socialist central planning as a non-market system cannot make use of this important function of the market and prices. Therefore socialism is “an indispensable guide of production” (Hayek 1935b: 227) in which planners have to make equations, determine the value of goods, decide about the allocation of scarce resources without proper guidance. As an alternative, socialist non-market economies aim to concentrate all the necessary data necessary to develop a society-wide plan “in the heads of one or at best a very few people who actually formulate equations” (Hayek 1935b: 210), which Hayek not only consider as an unavailing effort, but, as a matter of fact, a pointless and absurd idea.

The central administration of the socialist command economy seeks the impossible when it attempts to collect and acquire all these immense amounts of dispersed information. It is not only so extensive that it exceeds the computing capacity of any institution or administration, but it is also questionable that such composite and large ensemble of data “can be properly said to ‘exist’ at any moment

in time” (Hayek 1935b: 210). This individually possessed, differentiated knowledge needed and utilized to perform economic calculation, as a matter of fact, is not at all ‘in existence’ in a ready-made form, for the reason that mostly it is composed of “a technique of thought which enables the individual engineer to find new solutions rapidly as soon as he is confronted with new constellations of circumstances” (Hayek 1935b: 210-211). Furthermore, Hayek suggests that rational economic calculation also has to take into account the ever-changing preferences of consumers, which in capitalism is monitored by the market. In a socialist non-market economy planners could only hope that they have the sufficient amount of data at their disposal to make adequate decisions when developing and implementing a society-wide plan which has to cover all consumer demands. One possible option for the non-market socialist economy to avoid the problem of planning related to the permanent change in consumer preferences is to restrain or suppress the sovereign choice of the individual, another could be the limitation of consumption. In either case planners and administrators do not have to bother with modifying their formerly developed plan according to the change in demands, however, these restrictive and forced measures do not correspond to the Marxian idea of socialism and its major principles.

Hayek is certain that non-market socialism is not only incapable of finding a solution to the problem of economic calculation, but it does not able to apprehend the nature of the problem. He also has concerns about market socialism as well. He accepts that the market socialist⁵¹ came up with interesting ideas to sustain at some level market competition in socialism, where the means of production are collectively owned. However Hayek argues that in that kind of mixed economic system competition remains among firms and entrepreneurs, who are not owners of the means of production. He accepts that market socialism leaves room for competition and market mechanisms such as determining prices, but he doubts that individuals will be interested in making benefits for the whole society when there is no private ownership or material incentives.

It cannot be expected that socialist managers will be eager to retain the value of capital invested and resources expended in producing goods when they are charge for making benefits and profit for the society. Even if it is possible that in market socialism managers and administrators will be able to make rational and responsible

⁵¹ In the text Hayek criticizes pre-Langian market socialism and its representatives of the English-speaking world, namely Taylor to Dickinson.

decisions regarding the allocation of resources, but is there any reason to expect that these individuals will always seek common and not their own interests? (Hayek 1935b: 219-220). Hayek does not at all believe that it can be expected that socialist managers, who are not actual owners will always act on behalf of their community, when they are in charge for economizing common goods. He believes that only actual owners “are interested in the maintenance of the value of already invested capital” (Hayek 1935b: 225).

If all socialist managers would always make decisions not only according to their individual interests and the central authority of market socialism could collect and render “hundreds of thousands” (Hayek 1935b: 212) equations, it is still not guaranteed that this mixed economic model of market socialism would be a better functioning economy than free market capitalism, because it is very likely that at the end of the trial and error process of equitation the needs and demands of consumers have long been changed.

Consumer preferences, as well as production technologies and the availability of resources constantly change and Hayek thinks that market economies are at least able to “react to some extent to all those small changes and differences which would have to be deliberately disregarded” (Hayek 1935b: 212) by socialist systems which try to reach the state of economic equilibrium. For Austrian economists, like Mises and Hayek economic equilibrium is not a static state of affairs and it shall not serve as an objective. Their view is different either from socialists and mainstream economists, who think that the state of equilibrium is not only desirable, but also attainable if the supply and demand ratio is balanced by the appropriate economic policy and strategy. Nonetheless, the Austrians acknowledge that the state of equilibrium as an objective could have positive effects in boosting the economy. In a competitive system, it is an additional role to the many important functions of the market to create an economic environment for pursuing the state of equilibrium. But such economies could also offer incentives to motivate economic actors, while the continuous flow of information for economic calculation is assured through the market. In essence, the Austrian school of economic thought reckons market order as a process of discovery towards a realistically unreachable, yet hypothetically practical end, while socialists and mainstream economics teach that it is possible to attain the state of equilibrium, which provides economic and social stability and prosperity, which cannot be reached otherwise than balancing the supply and demand ratio.

3.5. Reflections on the Outcome of the Socialist Calculation Debate of the 1920s and 1930s

According to consensus Lange answered the objections of the Austrians and on a theoretical level seemed to provide a solution to the problem of rational economic calculation in a socialist system. Renowned theorists of the history of economic thought as Joseph Schumpeter or Paul Samuelson, representative of the neoclassical economic school held the common view that declared a victory to Lange in the socialist calculation debate (see Jönsson 2015). Schumpeter even accepted that socialism is a functioning system and wrote in 1943 that “[the] solution of the problems confronting the socialist management would be not only just as possible as is the practical solution of the problems confronting commercial managements; it would be easier” (Schumpeter 1943: 185-186, Jönsson 2015).

When new socialist states emerged all around the globe after the Second World War and the successes of the Soviet economic model also seemed to prove that some form of socialism is indeed feasible and could make certain achievements: there was a functioning command economy on a territory with a size of a continent which launched the first satellite to space in 1957 and managed to work itself up to a level of development to be able to engage in a competition with the United States for becoming the world’s number one superpower.

Despite that the Austrian critique of socialism seemed to be confuted both theoretically and practically after the Second World War, which intermitted the calculation debate, Mises and Hayek did not give up their position and maintained that a centrally planned socialist economy is an impasse. They no longer questioned that such a system is able to function, but reasoned that it is only able to exist under an authoritarian leadership and conditions of extreme poverty. In general, they insisted that even if a centrally planned economy is functioning in the Soviet Union and capable of delivering results in the field of industrialization and military production, there is social distress and shortage of products in actually existing socialism. Hayek wrote in *The Road to Serfdom*, which was published during the Second World War, that the undemocratic and totalitarian political system of socialism originates from and corresponds to the mode of organizing and operating

the economy through central planning. Socialism, as a form of totalitarianism, concentrates all economic power in the hand of the state, which thus becomes the one and only employer who uses this potential as an instrument of politics in order to create “a degree of dependence scarcely distinguishable from slavery” (Hayek 2005: 42). Additionally, Hayek and Mises also claimed that calculation in socialist command economies only function because central planners could rely upon prices fixed by the global market: even though pricing mechanisms in socialism are not directly linked to market processes, in determining prices and evaluating goods the central administration of the socialist economy could set their calculation according to world market prices, which enables them to sustain and operate the system on a certain level.

Against Lange’s market socialism, Hayek continued to emphasize the problems of data assembling which in his view exceed the computing capacity of the model. In 1945, he released an article in *The American Economic Review* under the title *The Use of Knowledge in Society* in which he reformulated his information argument. He argued that the most crucial economic challenge of society is not the allocation of resources as he had been thought but the utilization of information, which “never exist in a concentrated or integrated form but solely as the dispersed bits of incomplete and frequently contradictory knowledge which all the separate individuals possess” (Hayek 1945: 5). In *The Use of Knowledge in Society* he made a distinction between scientific, theoretical and practical knowledge, which by its nature is linked to the “particular circumstances of time and space” (Hayek 1945: 10) and individuals possess just a piece of it. Hayek mentions that planning based on knowledge of relevant facts is a prerequisite for any economic activity and this data is dispersed widely among all members of society and exposed to changes in the ‘particular circumstances of time and space’, thus a complex and dynamic economy requires alignment and cooperation many millions of individuals, who only possess a certain amount or piece of information compared to the whole. With this in mind, Hayek stated that the solution to the main economic problem of modern societies, which is how to adapt to the constantly changing particular circumstances of time and space is not the centralization of knowledge, or “communicating all this knowledge to a central board which, after integrating *all* knowledge, issues its orders” (Hayek 1945: 12). On the contrary, Hayek considers that economic decentralization is the solution to the problem, because that is the way to ensure that dispersed knowledge limited to

temporarily and locally determined conditions will be used right away. Hayek's *Use of Knowledge in Society* also reveals that only the organic system of competitive market economy – where the price system serves as a means of communicating information and “prices can act to coordinate different people in the same way as subjective values help the individual to coordinate parts of his plan” (Hayek 1945: 13) – conforms to the dispersed character of knowledge. Therefore it is the capitalist order that suits best to the modern state of civilization, while socialism is no more than mere atavism, a modern form of tribalism, which strives to force upon the ‘great society’ of our times the outdated economic practice of tribal societies, as Hayek argued in later works, particularly in the magnum opus, the 1973 *Law Legislation and Liberty* (see McNamara 2007).

Apparently, Lange was not affected by the criticism of the Austrian School and after returning to his home country from exile in 1945 he served the cause of Polish state socialism as an acclaimed economist and government official.⁵² Near his death, in the 1965 article, *The Computer and the Market*⁵³ he wrote with certitude that if he would rewrite the essay in which he introduced his model, he would have a much more simple task than he had in 1936: “My answer to Hayek and Robbins⁵⁴ would be: so what’s the trouble? Let us put the simultaneous equations on an electronic computer and we shall obtain the solution in less than a second” (Lange 1967: 158). In the article, Lange also called for the broader application of mathematical programming techniques in socialist planning (Lange 1967: 159-161).

However, the broad consensus that Lange claimed victory in the socialist calculation debate of the 20s and 30s began to fade in the late 1960s and early 1970s. In the 40s and the 50s within Marxist circles it was very much considered that socialist command economy was the alternative to capitalist mode of production and central planning was the success formula for arranging and orchestrating an effectively functioning socialist economy. Nonetheless in the post-Stalin era the incapacities and malfunctions of central planning in state socialist countries were

⁵² From the mid-50s Lange held an academic position at the University of Warsaw and the Main School of Planning and Statistics, in addition acted as the chairman of the Polish State Economic Council.

⁵³ Lange's essay came out in English in 1967 in an essay compilation presented to Maurice Dobb titled *Socialism, Capitalism and Economic Growth*.

⁵⁴ The other name to which Lange refers next to Hayek is Lionel Robbins, a British economist who was involved in the calculation debate and took the side of the Austrians to criticize socialism relying on Mises's original argument.

becoming increasingly apparent. Centrally planned socialist economies in the 50s arrived to a certain point⁵⁵ where reforming the system became urgent and unavoidable for different and complex reasons, which included social unrest, lagging productivity, economic deficiency, etc. Under the growing pressure of reforming the system –whose anomalies and inner contradictions became more and more explicit over time (see Kornai 1992) – leaders of many existing socialist countries considered decentralization as a reasonably acceptable and practicable solution to the emerging economic and political problems, which were mutually connected.

For example, after the death of Joseph Stalin economic problems occurred in the Soviet Union as the result of the strategy of extensive industrialization. Economic progress in terms of extensive industrialization is the growth of quantity, which is achievable through expanding the amount of available, yet unutilized resources of the economy. However, extensive industrialization has its limits as it was shown in the case of the Soviet economy. By the 50s extensive industrialization led to the exhaustion of economic outputs in the USSR: labour reserves became depleted, natural resources formerly granting cheap raw materials and energy supplies ran out, technology became outdated due to thirty years of central planning. As more economic growth from exploiting human and natural capital and pushing the technological apparatus to the limit was no longer an option, the Soviet leadership had to elaborate new strategies for further improvement and in order to evade economic recession. Such an option was to change from extensive to intensive industrialization, that is to create development through increasing the productivity of all resources. Aside from carrying out innovations in technology and encouraging skill development of the human labour force, the Soviet leadership also had to implement structural changes in the command economy.

Changes in structure were executed under the aegis of decentralization and as the Soviet economy was steered the more towards intensive growth the less the central planning board was able to see through and survey the multiplying connections which had been established autonomously between various diverse sectors of the economy. In the meanwhile the central administration also experienced

⁵⁵ Kornai separates the following three consecutive stages with specific features as different prototypes of the socialist system: “1. *The revolutionary transitional system* (the transition from capitalism to socialism). 2. *The classical system* (or classical socialism). 3. *The reform system* (reform socialism)” (Kornai 1992: 19).

difficulties with urging producers to perform quality work following the centrally ordered instructions.

Nikita Khrushchev, the First Secretary of the Central Committee of the Communist Party of the Soviet Union believed that, like many other problems that are attributable to more than three decades of Stalinism, flaws and distortions in the economy resulted from abandoning the Leninist path of collective leadership. Appropriately, distancing from the Leninist principle of collective leadership eventuated in the concentration of all political and governmental power in one hand, which essentially paved the way for the aggravation of the personality cult of Joseph Stalin. Hence, the leadership of the Soviet Union became committed to a society-wide decentralization policy from the middle of the 1950s, which played a significant role in that the bureaucracy somewhat eased from state control. However, later it turned out that state control through the extended use of bureaucracy during the Stalin era was just one of the many techniques of overpowering oppression over the course of the history of the USSR.

Policy measures of decentralization were taken in the economic sector, particularly in the field of agriculture, and from these reforms, which let up the political control of the state over the economy by allowing more autonomy to those directly involved in production and provided room for the market to some degree, it was hoped that the Soviet command economy would not merely catch up and overtake the United States, but would complete the building of communism within the lifetime of a generation.⁵⁶ With this aim more emphasis was put on raising living standards and producing consumer goods, in addition, it seemed that the Soviet leadership came to realize the beneficial function of pricing mechanism in the configuration of economic equilibrium and left scope for competition and market processes. Nevertheless, these tendencies of liberalization of socialist central planning did not serve overall transformation, but in reality, as János Kornai argued in *The Socialist System*, were rather intended to strengthen the control over economy and society. Kornai also explains that these measures were ostensible and were not introduced with the intention to change the existing system from its core, which was

⁵⁶ The 'Catch up and overtake America' (*Dognat' i peregnat' Ameriku*) slogan of Nikita Khrushchev is an out-of-context quote from a speech that the First Secretary gave at an agroindustry conference held in Leningrad (now Saint-Petersburg) on May 22, 1957. In the speech Khrushchev assured that the Soviet Union will "catch up and overtake America in the per-capita production of meat, milk and butter" and although it was not authorized by the Central Committee the Soviet propaganda started to use the decontextualized phrase as a slogan for the competition with the US (Scherrer 2014: 10).

considered to be superior for ideological and political reasons even by those who were in charge of implementing reforms (see Kornai 1992: 383-474).

The moderate transformation or confined liberalization of socialist central planning was a desperate project. Internal and external factors both contributed to the failure of reforms. As for the latter, the most convenient example is the arms race with the USA during the Cold War period, which implied that the military sector was assigned a prominent role compared to other segments of the industry. The Soviet model of socialist central planning was a markedly hierarchical system, which privileged certain segments of economic life at the expense of others and the relative status of different sectors of the economy were prone to changes along with political and ideological shifts. The military industry certainly had a privileged status, because of its importance in the struggle against American imperialism and Soviet leaders defended its prior position till the bitter end. When difficulties occurred in the military industry, such as temporary financial or supply problems, the central administration cut and moved economic resources from non-primary sectors to military production and this was a common practice in the heavy industry as well, whose maintenance was a matter of prestige endorsed by Marxist-Leninist ideology. Giving preference to specific economic sectors caused calculation derangements in non-primary areas, as in the consumer goods and supplier industry because they could not take into account and calculate with shortages of finance and supply, which were consequences of the unpredictable cuts and reallocations of natural, human and capital resources. The competition with the US also had other negative effects on the Soviet economy. It put producers under great pressure, which obviously had positive effects and probably induced the pace of economic growth, but more evidently led to disastrous and devastating results, particularly in respect of product quality, the state of infrastructure, as well as the natural environment. It is also worth mentioning that the reluctance of the remaining Stalinist bureaucracy prevented reforms to take effect, for several reasons, which include that functionaries feared their status from any changes in the prevailing system, or because liberalization contradicted their personal interests.

3.6. An Unexposed Critique of Marxian Political Economy from the Eastern

Block

Changes in politics and ideology in the Eastern Bloc in the post-Stalin era had an impact on economic thought as well. Liberalization and decentralization made room for new thinking in economics. Economists and socialist theorists like Evsei Liberman in the USSR, János Kornai in Hungary or Włodzimierz Brus in Poland called for reforms and the restructuration of the socialist system through democratic (de)centralization.

Liberman's works served as the basis of the 1965 economic reforms in the Soviet Union and later in the GDR, which targeted, apart from decentralization, profitability and improving living standards, while allowed a greater role to mathematics-based and computerized methods in central planning.

Brus, in his most renowned work from 1961, *The General Problems of the Functioning of the Socialist Economy*, argued that it is not just possible, but it is necessary to adapt different types of models within the framework of the socialist mode of production. In Brus's opinion, centralized and decentralized economic decision-making as well as the coexistence of planning and market processes are basic features of the socialist economy. Furthermore, Brus insisted that it is arduous to imagine socialism without markets, especially without markets for consumer goods and allocating human labour force.

Kornai had fiercely criticized the over-centralized socialist planning system in the 50s and by 1965 introduced, along with mathematician Tamás Lipták, the theoretical model of two-level planning, also known as the Kornai–Lipták decomposition.

Three Hungarian philosophers, György Bence, János Kis and György Márkus also made a theoretical investigation on the subject of Marxian political economy and their analysis included inferences of great importance regarding the problem of feasible socialism and the socialist calculation debate, although it is not widely recognized. Their work was written under the title *Hogyan lehetséges kritikai gazdaságtan? (Is a Critical Political Economy Possible at all?)* in the 70s and was banned for political–ideological reasons till the fall of state socialism in Hungary. It was only published after the democratic transition at the beginning of the 90s.

According to the authors of the book, which has been acknowledged as *Anti-Capital* or *Pro-Grundrisse*, despite the fact that in his works Marx did not explicitly presented how the economy of the post-capitalist is organized, he had definite ideas about the political economy of socialism and introduced those principles which define

how the economic structure of the future after capitalism is set up. Bence, Kis and Márkus were aware that the constituents which characterise the economy of socialism could be contrasted to the system-specific features of capitalism, but they also emphasized that Marx was not reluctant to preserve and transfer some elements of the previously existing mode of production for the socialist future. In their understanding Marx did not want to forgo the dynamism of capitalism – which described in details in many of his works, in those texts where he presented how the bourgeoisie creatively destroyed the previous mode of production and transformed the world according to its own social, economic and political ideas – but he wanted a socialist economy in constant and forceful development and improvement. For Marx, the socialist economy is a currently developing system of perpetual motion without the disadvantages and injustices of capitalism, such as exploitation, alienation, division of labour, irrational and anarchistic economic coordination, etc. As the dynamics of capitalist mode of production is sublated and preserved after socialism exceeds capitalism, the particularities of post-capitalist economy could be observed and foreseen in those tendencies that operate within capitalism (Bence, Kis, Márkus 1992: 75).

Nonetheless, economic and social trends in capitalism just partly anticipate the forthcoming mode of production; correspondingly it is a misleading thought to imagine that the economic order of the future is established analogous to a giant capitalist enterprise. The three Hungarian philosophers doubt that one giant socialist firm that covers all segments of the economy could replace and take over each and every function of the competitive market (Bence, Kis, Márkus 1992: 75). Since there is no market in socialism, another agency has to fulfil its functions and tasks; as of the latter, the most important is to make a record of what are the needs and demands of all members of the post-capitalist society. Marx alludes that the agency responsible for recording all needs of society happens to be, *per se*, ‘the association of the free and equal producers’. This means that in socialism recording a precise assessment of needs and defining and assigning societal tasks is exercised collectively, by the ensemble of all individuals who belong to the association. From the collective ownership of means of production follows that the outcome of production is also commonly shared, so everyone has to define its particular needs. Hence, in principle the socialist society enables all its members to render direct information about their needs to that agency which is responsible for economic planning. Subsequently, the

planning agency makes an account of economic capacities to design society-wide plan, which specifies and prescribes per unit of means of production, what is to be produced (Bence, Kis, Márkus 1992: 79-84).

This procedure has to be implemented in an economic environment where there is no competitive market and money. These factors along with the collective expropriation of production goods makes necessary that planners appoint as a unit of calculation a standard which is principally 'common' in all economic goods and that is labour time (Bence, Kis, Márkus 1992: 90). Bence, Kis and Márkus dare to denounce the system which applies the method of economic calculation (Bence, Kis, Márkus 1992: 84-140). Their attempt is to expose that centralized labour time management' leads to disastrous consequences just like using calculation in kind for planning. Their investigation also leads to the conclusion that socialism without market coordination cannot compete with and prove to be an unavailing and dreadful alternative to capitalist economy.

Bence, Kis and Márkus identified Marx's idea of reducing complex labour to simple labour as the core of the problems with socialist central planning without markets. In the first volume of *Capital*, Marx seemed to be concerned that compound and highly-trained labour is reducible to unskilled labour (MECW 35: 54). Marx also thought that the division of labour transforms the work of the individual into an over-simplified repetitive activity. Taking into consideration the development of modern industry from Marx's époque to their time, Bence, Kis and Márkus doubts that Marx's predictions proved to be true. Opposed to Marx expectations, they believe that the evolvement of large-scale industries has been accompanied by subtle transitions between different skill levels and the appropriation of professional knowledge has gained more importance not only for those who are in charge of decision-making, but as well for those who serve executive functions in the chain of production (Bence, Kis, Márkus 1992: 105). As a consequence, rational economic calculation in any system, including socialist command economy, has to take account of professional, specialized and skilled labour, which is irreducible to unskilled labour which perquisites low qualification or none at all. With regard to that Bence, Kis and Márkus reasoned that 'centralized labour time management' undertakes a preposterous venture when attempts to reduce skilled labour to unskilled for performing economic calculation in terms of labour time. Labour time could not serve as a solid standard of accounting or calculation, which entails that non-market socialism is incapable of

setting properly the value of socially produced goods. In the main, it does not have economic criteria at its disposal, which allows socialist planners to make rational choices when it is up to decide what technically feasible projects are worth realizing (Bence, Kis, Márkus 1992: 88). And how could the problem of allocation and distribution of socially produced goods be solved through ‘centralized labour time management?’ They think that non-market socialism could not carry out the task otherwise than interfering with individual autonomy and restricting consumers’ freedom of choice. To be exact, in socialist system without markets it is an exclusive group of decision makers, the central planning authority, not all members of the association of free and equal producers, who settle what and how much to produce and decide about who receives what from the whole of produced goods. Bence, Kis and Márkus conclude that a command economy of such constraints is completely alien from Marx’s humanism and fundamental egalitarian pursuits.

Discussing Marx’s aspirations concerning post-capitalism, the Hungarian philosophers emphasized that, besides continuous technical progression, Marx desired, furthermore considered necessary the free and uninterrupted development of the individual in communism, furthermore he argued that personal development and progress includes evolving our own peculiar needs. According to their reasoning the most essential and up-to-date historico-philosophical idea of Marx was that humanization of society could be realized along with the optimization and rationalization of technological and scientific development (Bence, Kis, Márkus 1992: 298). They claimed that in Marx’s philosophy of history the idea of free individual development and social dynamism that involves technological progress join forces. Hence, individual evolvement incorporates the realm of demands and socialism has to provide an economic and social environment where needs dynamically change and the economy has to follow up, adapt and meet the challenge of these changes. In their interpretation, Marx was confident that there is no free individual development without collective enrichment of all human beings through production that merges personal and common evolvement (Bence, Kis, Márkus 1992: 298). If that is what Marx’s oeuvre conveys then one should not question either the role of conscious choice among the arrays of consumer preferences and lifestyles in formulating our inner self and improving our capabilities. Socialism, which takes on Marx’s heritage, should not neglect the diversity and volatility of mass consumption trends and habits, therefore has to refrain from restricting the freedom of individual choice.

All things considered, Bence, Kis and Márkus rejected any form of (socialist) institutional order that forces individuals as members of the whole society to choose between economic progression, technological rationality and individual freedom. They tried to prove on a theoretical level that non-market socialism is an unacceptable system, which could only result in some version of economic despotism (Bence, Kis, Márkus 1992: 139). In such an institutional order, people's needs are determined by a central authority and not by themselves, individual freedom of choice is restricted and technological advances arrive slowly, if they arrive at all. In the final analysis, they claimed that these socialist projects of organizing the economy and society contradict the Marxian idea of modernization and humanism.

The treatise of Bence, Kis and Márkus exposed that the validity of Marxian political economy depends on whether it is possible to put into practice the political economy of socialism on the basis of Marx's ideas. Their investigation into the political economy of post-capitalism was an important contribution to the discussion about feasible socialism because it highlighted a tenacious dichotomy in Marxian socialism, an indissoluble tension between what is desirable and what is put into practice: between the idea of humanist progressivism and the reality of economic despotism.

As it has been noted, their critique of Marxian socialism came to being in a reform era of Hungarian state socialism. Reforms in the Eastern ally-states of the USSR and in the 'non-aligned' Socialist Federal State of Yugoslavia were generally short term, for similar reasons, as previously noted in the case of liberalizing and democratizing attempts of the Soviet economy. That aside, Eastern-European socialist states, particularly Czechoslovakia and the German Democratic Republic became the most developed countries in the communist bloc around the late 60s and early 70s, yet their success was due to the relatively advanced inherited infrastructure of the pre-socialist era rather than the economic reform programs which had to make their impact within generally over-centralized command system. With or without reforms, the economies of the Eastern Bloc were incapable of successfully dealing with those economic challenges and problems that pushed these states into crisis at the end of the 80s, which depression together with correspondingly important social and political factors partook in bringing down state socialism in European countries that belonged to the Soviet sphere of interest.

3.7. General Concerns on Market Socialist Models from the 90s

With the failure of the Soviet command economy, it seemed that establishing an alternative system to capitalism based on central planning was misleading and pointless. After the demise of the Soviet-type of socialism, market socialist models came to the fore as the one eligible option in the 90s thanks to the contribution of Alec Nove, James A. Yunker, David Schweickart, John Roemer, Pranab Bardhan and Branko Horvath.

Given that I find it important to make some general remarks on market socialism based on the investigation Steele carried out in the book he wrote around the time when, due to the failure of the prevailing non-market model, market socialism became a popular alternative of socialist economic and social organization (Steele 1992: 173-201). Steele observed a common feature in the many diverse market socialist models. All of them propagated the collective or social ownership of production goods, still they called for creating an economic environment and an institutional framework that guaranteed the autonomy of production units, so producers of one group or separate sectors of the economy were allowed to conduct transactions with others without overcharging central control or state intervention. The institutional organization of enterprises represents the 'socialist', while relations among autonomous entrepreneurs the 'market' component of such mixed economic models (Steele 1992: 173), which technically means that small entrepreneurial groups, independent and self-managed companies or corporations have a disposal of assets which appear on the market. According to Steele, this economic configuration was only slightly different from the realm of private ownership, consequently market socialists models on a theoretical level seemed to avoid to fall into the trap the economic calculation problem contrary to non-market ones (Steele 1992: 174). The problem of economic calculation arose in practice when these independent and self-managed cooperatives were owned by a single entity; viz. the society or the community (Steele 1992: 174-175).

Small self-managed socialist cooperatives are capable of coping with the problem of economic calculation if these autonomous enterprises cooperate with each other by putting away their own interest, which is required for the whole positive outcome of production. In an optimal case, economic actors within a group are willing

to make sacrifices for the greater good, in that instance for the best possible outcome of production, so cooperation is possible on a micro level and perhaps even on a group-level, however there is nothing to set back or restrain competition on a higher level. To prevent escalating macro-level competition and retain the socialist character of the economic organization, competition between autonomous self-managed divisions of production has to be monitored and controlled centrally by a single board. Subsequently, a mixed economy of market socialism comes to existence where production factors belong to the state or the community, but firms, companies and even divisions of the same production unit have authorization to conduct transactions with each other or within one organization. This raises the following question: if means of production are commonly possessed, yet firms are independent entities, in what sense are these enterprises owned by the state or the community and not private corporations? In Steele's view, the concepts of 'state-owned' and 'privately-owned' in the case of market socialism are not well-defined or distinctive categories. Trusting in the inference of Alexander Bajt, Steele takes into consideration the possibility that if heavy state regulation is exercised over self-managed enterprises then these so-called private corporations may substantively have less autonomy than those firms, which are seemingly owned by the state. He also notes that "if the government assumes the right to intervene in private property, then the property is no longer private but has become state property in fact" (Steele 1992: 180), as it was practiced in Germany under national socialism, like Mises had noticed before Steele.

Apart from that in market socialism the line between private and collective ownership is blurred, which makes room for overpowering state intervention, mixed socialist economies have to struggle with other problems as well. For example, unlike in capitalism, where it is not very likely or profitable for privately owned firms to sell their products to themselves, in market socialism, where factors of production are owned by the state or society, inner-division transactions may occur because there are self-managed independent corporations within the whole of the collectively-owned industry. However, if one accepts that as a form of exchange, as exchange is per definition a transaction between at least two independent actors, then how it "is possible for trade to occur between state enterprises" (Steele 1992: 175), which are owned by the collective?

Market socialism tries to sidestep this issue by allowing the exchange of means of production through the agency of socialist managers, who are authorized to

trade and transfer common assets, as it was the case in Lange's model. State-owned firms entrust socialist managers to bring common goods and assets to the market and trade them as delegates of the socialist company. Socialist managers thus have the right to trade and transfer those assets which belong to the possession of that company they represent, but why should it be viewed that they do not exercise ownership or property rights on them as well? Steele does not see any reason to refuse that the rights of socialist managers are different from property rights, because he is of the view that if anyone "has the right to deploy any resource in any way is the owner of a property right in that resource" (Steele 1992: 177).⁵⁷ Steele also adds that market and private property are inseparable: whenever there is market, private property is also present.

Society commissions the right of disposal of common goods to socialist managers whose main task is to conduct market transactions which by their outcome conform to social demands and produces economic growth for the whole society. The bigger the socialist firm becomes the more decisions have to be made while information required from production is diffused further as the organization expands thus the number of socialist managers has to be increased as well. Each time more socialist managers are hired for transferring and purchasing common assets, the direct influence of the state in exercising control over production weakens and single enterprises enjoy a greater degree of independence from the central authority. This process could set in motion a forceful and destructive tendency which could endanger the very existence of the socialist system: if together with industrial development this trend continues, there is a chance that self-managed firms consider declaring complete independence from central administration. As more and more firms became autonomous it is expected that the gap widens between the private sector and those areas of the economy which are still kept under the control of the socialist state, therefore price differences of privately and centrally produced goods would probably occur because the state sector has to stand up to the competition in the private sector and vice versa. In this contest, it is uncertain whether state-owned firms or self-managed corporations win, each scenario could enter into force. It could happen that autonomous firms would be more successful in the competition because their

⁵⁷ Steele comes to defend a conception of property that in his view is similar to the 'economic theory of property rights' formulated and developed by Eirik Furubotn, Svetozar Pejovich and Harold Demsetz, which he sees 'at odds with' Hugo Grotius's and Samuel von Pufendorf's theories, which were popular among 18th-century thinkers such as David Hume and Adam Smith. (Steele 1992: 412).

managers and entrepreneurs would be able to acquire data by using the medium of the market, but it could also turn out that the state may take measures and bring all its influence and power to distort competition and put independent socialist firms out of the business.

Mixed socialist economies which integrate even basic elements of capitalism in their model are not pleased orthodox Marxist who were committed to socialist central planning: for example Maurice Dobb, Charles Bettelheim or Paul Sweezy were hard-line socialist theorists who explicitly objected reforms, which were supposed to initiate decentralization and liberalization in the post-Stalin era. However, it would be ambiguous to state that only Marxist hardliners are deemed to be suspicious and sceptical about integrating elements of capitalism, such as market mechanisms, into the socialist system. Generally, in the Marxist tradition most theorists were suspicious about market mechanisms and institutions, which had a rather negative than positive reputation: they were responsible for generating and sustaining inequalities and alienation. In the eye of the devoted Marxist the market is an erratic institution which generates artificial and pseudo-needs, consequently its limited or partial integration implies risk, and hence, it shall be excluded from the political economy of socialism.

All in all, market socialist models are prone to criticism from Marxists who question the socialist character of mixed economy, but, on the other hand, is this form of socialism capitalist enough to function effectively? I believe that even if socialism allows a market for consumer goods, furthermore authorizes factor markets, it will not get along without financial markets, so Steele is right when he claims that market socialism is “too capitalist to appeal to socialists, and not capitalist enough to work” (Steele 1992: 192). He also emphasizes that in a ‘society with complex technology’ all segments of production has to be reconciled in a way that the total amount of output shall comply with the available resources and with the needs of people (Steele 1992: 195). Obviously, market socialism is not able to produce more to overrun its overall capacity, which is the maximum capacity of factors of production, but it is prone to overproduction of certain goods while under-producing others, which practically means that it is inept to fulfil peoples’ needs. Such a situation could also arise if there is no balance between the capacity of factors of production and the amount of available resources; it is possible that the economy could produce more, but there are not enough resources available, or, on the contrary, it could happen that

too much means are used up, yet the economy could not make a use of the assets at stock. From all of these premises Steele deduces that "[t]he total amount which people want to save out of their incomes must be equal to the total amount invested in production for the future, while the total amount which people want to spend currently must be equal to the total flow of consumer goods becoming available" (Steele 1992: 195-196). If this aspect is also taken into consideration, allocating resources such as human labour force, raw materials, capital goods, etc. among many sectors of production cannot be carried out effectively if the economy solely relies on factor markets and does not receive assistance from financial markets.⁵⁸

Steele demonstrates the necessity of financial markets with the following example (Steele 1992: 196-197): let us suppose that all resources that are available for society are stock in one giant warehouse and try to find an effective method for allocating these assets among the multitude of enterprises, companies and corporations. On the condition that the central board successfully collects enough data to print and emit vouchers, "entitling them to claim portions of capital goods" (Steele 1992: 196.) from the stock then there is a chance to explain the socialist planner's and administrator's decisions by examining the market for factors of production. Nevertheless, analysing factor markets is not helpful in understanding what criteria are used by decision-makers when they confer these vouchers to certain factor market participants for particular productive uses (Steele 1992: 196). For understanding the planning board's decisions concerning the allocation of resources and investment funds it is required to analyse financial markets as well. In modern and advanced societies, the economic role of financial markets is irreplaceable. When financial markets are not encompassed in the structure of socialist economy the administrators' decisions do not show what basis of prior information were settled what technically feasible projects are to be financed from the common investment funds. In conclusion, the important role of financial markets could only be ignored in the case "if the

⁵⁸ Steele also recalls how much factor markets are divided into many divisions: "There are markets for chemistry teachers, temporary secretaries, recording studios, tankers, cranes, potassium permanganate, and spliced genes. There are many hundreds of such factor markets, each usually divided into several sub-markets, each one out of anyone's control, and each one so subtle and complex in its workings that a lifetime's close involvement in that market would be able merely to make more informed guesses what was going on" (Steele 1992: 196). Here, as a matter of fact, Steele recaps the classical Hayekian argument against socialist central planning based on the dispersed nature and form of knowledge in order to show that rational economic calculation in socialism will not be possible even if markets for factors of production remain, but financial markets are eliminated: factor markets are themselves so complex and segmented that it seems impossible that a central planning board could see through it and acquire all data for different production projects.

projects to go ahead predetermined, and if savers' utility from their savings were disregarded" (Steele 1992: 200) by those who are responsible for determining the use of common assets.

When Steele discusses the crucial importance of well-functioning financial markets in the economic life of any form of technologically advanced society he does not reduce their role barely for helping to determine exactly which projects are worth financing with regard to people's savings. Instead, he emphasizes the diversity of their function, by pointing out that financial markets also provide a wide-range of information to actors about ongoing and future projects, investment prospects, such as "which projects will be begun or continued, and which will be abandoned, which will be expended, and which curtailed" (Steele 1992: 200). Furthermore, he claims that information accessible through financial markets enables to determine whose savings were beneficial and to what degree. These illustrative examples of the many useful functions of financial markets impel Steele to conclude that there is no social and economic organization which do not benefit from using data made accessible through financial markets, which are able to operate no other social, economic and economic environment than in the "milieu of substantially private ownership of means of production" (Steele 1992: 200).

In sum, Steele states that financial markets, along with factor markets and markets for consumer goods, generate and make acquirable information which is necessary for operating and coordinating a complex economy of a technologically advanced society. Mankind has not yet developed any feasible alternative to discover and/or acquire this indispensable information otherwise than making use of markets. This also implies that any socialist attempt to abolish market results in malfunctioning and inefficient coordination of production, consequently an economic organization without them operate less effectively and perform worse than capitalism which relies on these institutions. And this verdict, although not entirely the same extent, applies to non-market and market socialism as well.

3.8. The Idea of Central Planning Reloaded: Towards 21st Socialism with Supercomputers

Despite their decreased number after the historical fiasco of the Soviet-type socialism there are some renegade theorists who are committed to the idea of socialist central planning without markets in the 21st century. These models and schemes for centrally planned socialism should be considered as rarities rather than popular ideas in contemporary Marxism and radical left-wing thinking as a solution to the problem of how to transform capitalism into socialism.

In 2002 the longest continuously published international journal devoted to Marxist thought and analysis, *Science & Society* came out with an issue systematically focusing on contemporary non-market socialist models, with the intention to demonstrate that the idea of central planning as a socialist alternative to capitalism still alive in the 21st-century. This special issue wore the title *Building Socialism Theoretically: Alternatives to Capitalism and the Invisible Hand*, and, apart from breaking the dominance of market socialist proposals which ruled the theoretical discussion over feasible socialism after the failure of Soviet-central planning, it was meant to introduce non-market models based on the principles of ‘democratic participatory socialism’. In the company of Pat Devine, David M. Kotz, David Laibman, John O’Neil, Michael Albert and Robin Hahnel, the name of Allin Cottrell and Paul Cockshott also appeared on the list of those authors who contributed to the issue. Their proposal, an economic model of computerized planning employing modern information technology and input-output analysis, was unique in the sense that it was particularly designed to attest that, despite the critique of the Austrian school, rational calculation is possible in a centrally planned socialist economy without private property and the assistance of markets and market prices. Principally, it was based on the fundamentals that Marx outlined for the political economy of the post-capitalist society.

With the firm intention to revitalize socialist economic theory, Cockshott and Cottrell began to propagate their ideas around the late 80s and their most comprehensive common work, *Towards a New Socialism* was published in 1993.⁵⁹ The book was partly a polemic piece against market socialism triggered by Mikhail Gorbachev’s economic reforms in the USSR. Besides criticizing market socialism, the

⁵⁹ Since its first publication in English in 1993, Cockshott and Cottrell’s pamphlet, which defends ‘the idea of a planned socialist economy based on the Marxian theory of value’ against market socialism, has been translated to Spanish, German, Russian, Swedish and Czech. The Hungarian translation of the prefaces of the 1993 and 2004 English editions of *Towards a New Socialism* is available at: http://www.dcs.gla.ac.uk/~wpc/reports/translations/uj_szocializmus_fele.pdf

authors presented their own economic model which they continue to develop to date.⁶⁰ Their work recognised the necessity of consumer goods in socialism, yet it categorically refused markets for labour and capital goods.

Towards a New Socialism does take issue with social democracy as well. Cockshott and Cottrell hold that social democrats only offered incompetent solutions to the maladies of modern capitalist societies. Moreover, social democracy can be accused of conformism, notably in selling “short the historic aspirations of socialism” (Cockshott and Cottrell 1993a: 1). They also don’t agree with ‘idealist Marxists’ who deny that the fall of socialism in the Eastern bloc let down Marxism, since it was more of deception than implementation of Marx’s ideas. They define their position and their program in contrast to social democracy and those idealists who disconnect socialist ideas from reality to protect their purity. They believe that “there is much of a value in the classical Marxian project of radical social transformation” (Cockshott and Cottrell 1993a: 1). In sum, Cockshott and Cottrell consider that social democrats may not question that the Soviet system was socialist, but turn their back on Marxism, while idealists adhere to their theory while reciting that it has not been realized yet in the course of history (Cockshott and Cottrell 1993a: 1).

Cockshott and Cottrell’s socialist credo is built up on the following convictions which run through their entire theoretical work: (i) With all its ‘undesirable’ and ‘problematic’ features the Soviet system was indeed socialist and its failure was not at all impertinent to Marxian socialism. Whereas the collapse of the Soviet system was the result of specific causes which can be identified, this does not imply that these mechanisms are inherent features of all configurations of socialism and necessarily undermine and disrupt all possible forms of socialism. (ii) On the basis of modern informational technology and Marxist economic theory it is possible to develop and establish a program of viable socialist alternative to capitalism. (iii) To date the

⁶⁰ The collected articles and essays of Cockshott and Cottrell concerning the program of the socialist conversion of capitalism together with other polemic writings that intend to provide material for establishing ‘communist politics’ in the 21st century are directly accessible online: <http://reality.gn.apc.org/>. The latest grand work Paul Cockshott published on the website with David Zachariach, *Arguments for Socialism* (Cockshott and Zachariah 2012) is more of a political piece than an economic study which focus on questions that ‘the crises of the European movement’ after the fall of the Berlin Wall in November 9, 1989. It includes reflections to the crisis of ‘Leninist communism’ and social democracy, formulating economic policies for a ‘future socialist movement’ and ‘the struggle for popular democracy’ in the current era.

socialist movement failed to develop in details neither an economic policy nor a political constitution which is either feasible or eligible.⁶¹

Based on these theorems, Cockshott and Cottrell elaborate their own politico-economic program for realizing socialism in the 21st century. Their economic model of centrally planned socialism is intended to solve the classic Austrian challenge of rational economic calculation. In accordance with Mises, they assert that without an objective measure of valuation and accounting it is impossible to perform rational economic calculation in socialism. However they claim that labour time will serve as a unit of account because money and market prices have no place in socialism. Mises was certain that labour time is not able to serve such a function because calculation in labour hours does not recognise the difference between skilled and unskilled labour, moreover it necessarily underestimates, thus underrates the value of non-reproducible natural goods. Cockshott and Cottrell reject both these claims and as advocates of Marx's labour theory of value, they try to prove that labour hours as a unit of account could be the basis of rational economic calculation in modern and complex economies of the 21st century.

The subject of using labour hours for economic calculation is one of the central topics of the 1999 *Economic Planning, Computer and Labor Values* which includes a comprehensive overview of Cockshott and Cottrell's proposal for accounting in socialism. They note that using 'marginal labor time' for measuring costs makes possible to take into account "the growing difficulty in obtaining non-reproducible resources" (Cockshott and Cottrell 1999: 2), furthermore, it enables planners to decide "to devote resources to the research into alternatives, the use of solar power instead of oil for instance" (Cockshott and Cottrell 1999: 2). As for the other problem, namely the non-heterogeneity of labour evoked by Mises, though Cockshott and Cottrell recognize that diverse professional skills are interchangeable, moreover emphasize the importance of the irreducible diversity of labour by expertise, the call for treating skilled labour as 'any other product' or 'produced input' whose production require the employment of simple and skilled labour. Hence, the value of skilled labour depends on how much labour time had been expended on the education and training of the professional workforce.

⁶¹ This summary is based on an article from 2003, entitled *Computers and Economic Democracy* in which Cockshott and Cottrell provide a shorter overview about their conception which they had elaborated in *Towards a New Socialism*.

Aside from embracing the idea of putting labour time as the basis of economic calculation in socialism, Cockshott and Cottrell also relay and encompass in their model Marx's labour vouchers from the *Critique of the Gotha Program*, with the intention to create an egalitarian payment system. However, it is not clear what is the function of labour tokens in their proposed payment system, because they also state elsewhere that "insofar as departures from egalitarianism are made (i.e. some kinds of work are rewarded at more than some, and some at less than others), the achievement of macroeconomic balance nonetheless requires that the total current issue of labour tokens equals the total current labour performed" (Cockshott and Cottrell 1999: 2-3). Their proposed tax system for socialism is also not very concrete and detailed. They define tax in socialism as a 'uniform membership fee' or 'net of transfers to non-workers' and claim that practically only flat tax exists in their system: they propose to deduce from workers' earnings just that amount of fee to "cancel just enough of the current issue of labor tokens so as to leave consumers with sufficient disposal tokens to purchase the output of consumer goods at par" (Cockshott and Cottrell 1999: 2-3).

These elements of Cockshott and Cottrell's proposal for socialism may be better understood and refined in view of their evaluation technique which they name "Lange plus Strumilin" formula (Cockshott and Cottrell 1999: 3). The Lange-component of the formula is a variant of the trial-and-error process applied in the original market socialist model from 1936, so, practically, the evaluation technique of the system is a modified version of Lange's original *tâtonnement* method, "whereby market prices for consumer goods are used to guide the allocation of social labor among the various consumer goods" (Cockshott and Cottrell 1999: 3). The other element of the formula originates in Stanislav Strumilin's work: from the Soviet economist Cockshott and Cottrell take the idea that economic equilibrium eventuates in socialism if the complete aggregation of all produced use-values become equal to the total amount of socially necessary labour time expended on producing them.

On the basis of the 'Lange plus Strumilin formula', Cockshott and Cottrell introduce a specific pricing mechanism in socialism that helps to set precisely in social labour time the value of produced goods. The central idea of their proposal is that the array or 'specific vector' of consumer goods, whose production was prescribed by the society-wide plan, is marked with their labour value or 'social labor content'. Now, if planned supplies correspond to individual consumer demands in a manner that the price of goods coincide with their labour values then the socialist

system has already reached the state of equilibrium (Cockshott and Cottrell 1999: 3.). However, Cockshott and Cottrell note that in a dynamic system this is unlikely. Taking into consideration that in a dynamic economy the supply and demand ratio seldom coincides, the central authority who is in charge for marketing consumer goods should strive for achieving ‘short-run balance’ when setting prices in labour hours, which implies that “prices of goods in short supply are raised while prices are lowered in the case of surpluses” (Cockshott and Cottrell 1999: 3). After this so-called ‘market-clearing price’ process put into effect, the following step is that the marketing authority checks whether the new price of a consumer good came closer to, or, in an optimal case, cover its actual labour value.⁶² In the long term the main pursuit is to balance the price-value ratio, that is to say, to generate long-run equilibrium, as Strumilin put it. In order to achieve this goal, ‘the consumer goods plan’ needs to be revised, corrected and modified by “using either input-output methods or an alternative balancing algorithm”⁶³ (Cockshott and Cottrell 1999: 3). To be precise, the next consumer goods plan has to prescribe expanding output of those consumer goods that were above, and reducing output of those that were below the average price-value rate in the previous period.

As planners respond directly to consumer needs when designing plans, Cockshott and Cottrell are certain that their proposal gives consumers the freedom of choice, which many opponents of socialism thought to be restricted in non-market socialist economies. They also assure that the pricing mechanism of their centrally planned socialist system does not fall for the ‘ex-ante illusion’. The idea of ex-ante illusion came from Alec Nove, who dedicated a separate chapter to the problem in *The Economics of Feasible Socialism* (see Nove 1991: 38-42). His argumentation begins with the following statement, in which he draws attention to an important distinction in the tradition of Marxist economic thought between ‘ex ante planning’ and ‘ex post evaluation’:

Marx himself, and many of his followers, stressed the contrast between conscious plan and anarchic market. In a socialist planned economy labour will be ‘directly social’, that is, it will be allocated in a planned way by society to predetermined

⁶² Prices are expressed in labour tokens, while on the other hand the value of consumer goods in labour hours.

⁶³ For detailed presentation of the ‘alternative balancing algorithm’ consult chapter 3.3 (*Low complexity plan balancing*) of the paper (Cockshott and Cottrell 1999: 5-8.).

tasks, to produce in accordance with needs as determined *ex ante*. This is contrasted with a capitalist market economy, in which expenditure of labour is validated *ex post*, *a posteriori*, after the event, through the process of exchange. Society will be able to allocate and decide correctly *ex ante*, through planning the use of its resources and allocating labour to the various tasks which are known in advance (Nove 1991: 38).

Contrary to anarchic system of market capitalism where economic calculation is done ‘*ex post*’, centrally planned socialism offers the possibility of conscious ‘*ex ante*’ planning, but this offering is fallacious and illusionary in Nove’s opinion. He asserts that without ‘*ex post* validation’ or ‘*a posteriori* verification’ it cannot be decided whether plans were correct or not ‘*ex ante*’. Consequently, ‘*ex ante*’ calculation requires ‘*ex post*’ verification in a complex modern economy, where choosing between production alternatives and measuring the consequences of our decisions is not that simple as in the realm of Robinson Crusoe.

Efficient and sustainable production is not possible without planning and “some sort of response or feedback mechanism” (Nove 1991: 39). In capitalism there is ‘*ex ante*’ calculation and ‘*ex post*’ verification: the process of decision-making is preceded by gaining information from the market, for example by survey or extrapolation, thus production is performed as “definite *ex ante* contract for a specific customer” (Nove 1991: 39) and producers learn ‘*ex post*’ from the feedback of consumers if their calculations were right or wrong, if the commodities and services meet market demands or not. For advocates of socialist central planning this procedure is no more than guessing and they seem to ignore the essential importance of ‘*ex post*’ evaluation as well. Those who are committed to central planning want to design and organize production solely on ‘*ex ante*’ basis, but Nove explains that in some respect what planners do in socialism is not so different from guessing: “The plan for shoes and onions *cannot* be known to be correct *ex ante*. The same is true of socialist restaurants. No more than their capitalist confrères can they know *ex ante* what the diners will ask for, or whether they will wish to dine at all. They will learn *ex post* whether their preference will be for canard à l’orange or haddock and chips” (Nove 1991: 40).

However there is a way to make sure that there will be no discrepancy between *ex ante* planning and *ex post* evaluation: when planners or producers, not consumers decide about production with regard to consumption, which implies that “citizens will wear the shoes which it is decided they should wear, all menus will be

table d'hôte and the customer assigned to specific restaurants” (Nove 1991: 40). Nove concludes that is an army-like command system which has little to do with what socialist have in mind when they call for the ‘domination of direct producers’ (Nove 1991: 40).

Cockshott and Cottrell’s technique of evaluation applying market-clearing prices was a response to Nove’s criticism and highlighted that ‘ex post’ validation remains important in socialism and it is not required to precisely anticipate by only using ‘ex ante’ planning every single element for the next consumer plan. The planning model, which they introduced in the early 90s along with a political constitution of a feasible ‘post-Soviet socialism’, was meant to prove that contrary to Nove’s statements, who doubted “the idea that labour values can play a useful role in socialist planning” (Cockshott and Cottrell 1993a: 104) it is possible to establish a functioning non-market economy using labour time for calculation.

How do Cockshott and Cottrell imagine efficient planning in a post-Soviet socialist economy? The main requirement of effective central planning is developing a system that is capable of collecting together all the dispersed information and making precise computations based on the collected data for developing an adequate plan for the economy. Due to the recent development of modern computer technology there is no need for the mediation of the market to get access and acquire all the information that is necessary for achieving this task. In our times, unlike in the early 20th century when the Austrians formulated the information argument against socialism, it is no longer an absurd idea to presume that it is possible to concentrate millions of pieces of dispersed data in a ‘single head’. With the establishment of a global network of affordable personal computers all these information becomes directly accessible and acquirable and high-capacity computers are able to store and rapidly process this immense amount of data without any difficulty. Cockshott and Cottrell claim that by using their own electronic gadgets consumers are capable of directly informing planners about their preferences through a network. In firms and enterprises interconnected computers will arrange in charts and tablets the information regarding costs and resource implications. Local computers are not only connected to each other but also linked to a continental web of computers. Hence, information is transferred through a hierarchical computer system to supercomputers that draw up plans by using and relying on the received content from local charts and tablets. After gathering all the information through the network, the administration or production

management prepares to design a plan for the economy by performing calculation in labour time.

The plan should be imagined as a ‘giant spread sheet’ of input-output matrix, in which diverse economic activities are represented in rows, while columns represent products utilized for such activities. As an example, if the first row represents the production of electricity and the second the production of oil, then the second column of the first row shows how much oil was used for electricity production, while the first column of the second row shows the amount of electricity used by the oil industry. Correspondingly, the last column of the matrix records the total amount of electricity and oil produced by the economy and the bottom row the total aggregate of expended inputs during the whole production process (Cockshott and Cottrell 2003: 6-8). With the computing capacity of supercomputers their planning model could carry out the enormous calculations necessary for planning and effectively operating a continental-wide economy, if planners are able to keep the input-output ratio balanced. They also note that the input-output matrix is designed by the analogy of neural nets that in their view have abstract similarity to economy. Both systems could be modelled mathematically and conducted to a state of harmony:

A neural net is set to be in a state of maximal harmony when it has learned to give the ‘right’ responses to external stimuli. We can apply this notion of harmony to an economy [...]. When output of a good is at target level we define the harmony for that good to be zero. If output is in excess of the target the harmony is positive and when output is below target harmony is negative. This harmony function is used by the computer as a guide to adjusting outputs. Our objective is to maximise the harmony of the entire economy, to bring it all into balance. (1993a: 83-84)

Cockshott and Cottrell are dedicated to the idea that on the basis of their economic model and their ‘radically democratic’ political constitution, it is possible to transform the European Union into a centrally planned socialist economy.⁶⁴

⁶⁴ The radical program in which Cockshott and Cottrell together with Hans Dieterich introduce those concrete and specific economic and political measures which they consider as necessary and feasible for the socialist transformation of ‘EU type’ capitalist economies came out as a 20-page-long manifesto in 2010 with the title *Transition to 21st Century Socialism in the European Union* (Cockshott, Cottrell and Dieterich 2010).

3.9. Contemporary Critiques of Socialist Central Planning in the Light of the Modern Austrian Calculation Argument

For more than three decades after the Second World War, which quite interrupted the flow of discussion on socialism versus capitalism within the framework of the calculation debate, neoclassical market socialists could feel themselves as winners of the dispute. Their position was reassured by Abram Bergson's classical summary and review on the debate, which appeared in 1948 and declared that Lange successfully disproved the Austrian school's claims on the irrationality of socialism (Bergson 1948). Moreover, Bergson's work could have left the impression on both sides that the calculation debate came to a close and became part of the history of economic thought with no further bearings on the later discourse on feasible socialism.

However, during the 80s a great new interest was shown in reconsidering and revising the standard account of the debate from adherents of the Austrian economic thought. On the side of the modern Austrian school, theorists like Peter Murrell, Willem Keizer, Daniel Shapiro and Don Lavoie all called into question that market socialists even understood the points of the Austrian critique of socialism correctly. They attempted to show that market socialists misapprehended and misinterpreted the original claims of the Austrians, therefore their answers were irrelevant and inadequate concerning the genuine challenge that the arguments of Mises and Hayek had posed against socialism. Accordingly, apologists of the modern Austrian argument argued that neoclassical market socialist only could be considered as victors of the calculation debate if the course of discussion having taken place in a neoclassical framework.

According to Lavoie's survey, the standard interpretation highlights that the calculation debate commenced with Mises contesting the theoretical possibility of socialism by suggesting that rational economic calculation is impossible when private property is replaced by public ownership. However, Lavoie also notes that this position had already been discredited by economists before Mises, namely by Enrico Barone in 1908, whilst some suggesting that even by Friedrich von Wieser in 1889, a fact that Mises seemed to have not taken into account. In the standard account the second stage of the debate sprang with Hayek's information argument objecting the practicability of socialist computation techniques including Barone's system of

simultaneous equations relating inputs and outputs to equivalence ratios. Finally, the third stage of the debate was marked by Lange's Walrasian model of market socialism, which showed that rational economic calculation is possible without private ownership (Lavoie 1983: 79).⁶⁵

Lavoie deserves much credit for developing the modern Austrian argument against socialism drawn on Mises's and Hayek's conceptualization of the market as a learning or discovery process. The revised Austrian position ameliorated the original Hayekian concept of knowledge and deepened its philosophical foundations: it emphasized that economic knowledge is not just dispersed among all members of society, but in addition it has a tacit kind. Individuals do not hold possession of the tacit knowledge about the ever-changing economic realm and it is also non-objectifiable and non-transferable. Economic knowledge becomes discoverable through performing entrepreneurial activity on the market, which has a cognitive function similar to language and market processes could be compared to human conversations:

The discovery approach [...] considers the cognitive function of markets to be, like the process of human discourse in language, an intrinsically social process. Like verbal conversation, the dialogue of the market depends on the specific give and takes interaction, a creative process of interplay in which the knowledge that emerges exceeds that of any of the participants. As with conversation, the communicative power of the market is not limited to what is explicitly articulated in words or prices but depends on background understandings shared in a speaking or trading community. Prices carry knowledge by triggering background understandings involving, for example, the value of the monetary unit, the expected marketability of a product, the credit worthiness of a bank's customer, the recognisability of a brand name, and so forth (Lavoie 1986: 78).

The modern Austrian challenge to socialism builds on the central and irreplaceable role of 'the dialogue of the market' in discovering and acquiring

⁶⁵ In Lavoie's *Rivalry and Central Planning* the summary of the socialist calculation debate goes as follows: "The standard view...contends that Mises (in 1920) denied the 'theoretical possibility' of socialism even under static assumptions; this was a position that Barone (in 1908) and, some argue, Wieser (in 1889 or 1914) had already refuted and that the early market socialist such as Taylor (in 1929) and Dickinson (in 1933) merely reiterated by showing the formal similarity of socialism to capitalism; whereupon Robbins (in 1934) and Hayek (in 1935) retreated from Mises's 'theoretical argument' to a mere denial of the practicability of socialism (which was itself said to have been answered by Lange in 1936)" (Lavoie 1985: 79).

economic knowledge that exists in tacit form. Steven Horwitz, American economist from the Austrian school also confronted computerized socialist central planning on that basis (Horwitz 1996). He did not question that with the assistance of modern informational technology and ‘advances in artificial intelligence’ is possible to perform the necessary amount of computations based on labour time for efficient ‘ex ante’ planning as Cockshott and Cottrell propose. Nevertheless, he is convinced that ‘ex ante’ planning is wrong and the Austrian subjectivist approach is the best way to appropriately understand the operating principles of market economies and why the collapse of these systems is inevitable. Horwitz’s counterarguments against the proposal of Cockshott and Cottrell and ‘ex ante’ planning in general are built on the essential role that money plays in modern advanced economies. According to his analysis the role of money received only brief attention in the original debate. In 1996 his *Money, Money Prices and the Socialist Calculation Debate* offered a subjectivist approach to the role that money plays in modern societies as a means of ‘trans-personal communication’. Exploring its importance Horwitz defines money’s function analogous to the role of language as a mediator between individuals’ interactions: “In the same way that language enables us to transcend our individuality and our physical senses by opening up a means of social communication, so does money enable us to communicate our subjective preferences in the market. In addition to being *analogous* to language, money also *extends* our range of communication beyond language by enabling us to make our articulate (and thus linguistically inaccessible) knowledge socially usable” (Horwitz 1996: 63-64). With this analogy Horwitz also expresses that if language is used as a means of communication for transferring knowledge to one person to another, than money and money prices specifically serve as the medium of communicating economic knowledge.

From Marx through Mises to Cockshott and Cottrell, socialists aspire to replace money with an alternative means of calculation and suggest that for the transformation of economic knowledge money is not necessary when its acquisition is possible otherwise. What advocates of socialism do not take into account is that economic knowledge does not articulate itself independently from market conditions our out of the context of markets. This had been evoked in the original Austrian critique of centrally planned socialism in Mises’s remarks, which in Horwitz’s opinion expose that:

[T]he subjective knowledge of market participants that determines value and that knowledge cannot be objectively assessed, as labour time might be. Such knowledge can only be made socially available through the language of money and money prices. Money is the means by which the knowledge needed for economic calculation is socially utilized, because that knowledge [...] becomes embedded in the price system through concrete acts of monetary exchange. There is no way outside of monetary exchange to come to know value, and as a result, there is no way for a central planner to accurately determine the economic rationality of various production processes (Horwitz 1996: 67).

Socialists do not recognize that the subjective nature and form of knowledge that determines value is tied to the context of the market and there is no other way to articulate it with the mediation of money and money prices. Supporters of socialist central planning are wrong if they think that subjective economic knowledge could be assessed objectively and confuse a computation issue with a matter of epistemology (Horwitz 1996: 71). Cockshott's and Cottrell's proposal for socialist central planning with supercomputers in no exception, it falls for the same mistake when it considers that such knowledge which is practically tacit or incommunicable could be articulated, exposed and transmitted directly to the central planning authority. In Horwitz's view such central planning models are expected to fall apart because they are intended to communicate knowledge that is by its nature not suitable to be communicated explicitly. Horwitz quotes Hayek's theory of mind to emphasize that human beings are not only unable to comprehensively disclose their minds, so our 'possible explicit knowledge' also has inherent limits (Horwitz 1996: 71) and in accordance with the modern Austrian argument he underlines the role of the entrepreneur in socially mobilizing tacit knowledge (Horwitz 1996: 71). To reinforce his statement he refers to highly complex entrepreneurial activities in modern advanced economies:

Entrepreneurs are continually discovering and rediscovering the relationship between inputs and outputs as they operate in competitive market process. Entrepreneurial activity continually *creates* and recreates production 'functions' [...]. Entrepreneurs have the advantage of the language of money prices to at least provide them with *ex ante* and *ex post* information about the economic efficiency of their perceived production options. Government funded 'innovation specialists' would lack this

learning process with which to know whether their innovations were economically efficient (Horwitz 1996: 72.)

Horwitz states that in Cockshott and Cottrell's computerized socialism such 'innovation specialists' are supposed to be responsible for innovation which is outlined as a process that encompasses expertise with democratic management. Horwitz notes that this proposal of socialist central planning seems to ignore that the Austrian critique of socialism brought about not an economic but a technical problem to refute socialism. The real problem is not technological innovation and providing new ideas for developing production in non-market socialism, but rather how to select those ideas that make sense in terms of economic efficiency which certainly requires gathering serious amount of data. However, Horwitz reminds that with supercomputers non-market socialism may overcome the limits of computation, yet it does not solve the real problem exposed by the Austrians in the debate. In conclusion, Cockshott and Cottrell offer a false solution, which originates in their misjudgement concerning that the data to be acquired for planning is objectifiable:

The deeper issue here is that Cockshott and Cottrell still missing the point that the debate was never about the limitation of computation. Perhaps modern computers could solve the billions of equations necessary to figure either a general equilibrium price vector or a labour-time price equilibrium. However, doing so assumes that the information necessary to fill out those equations exists in a form that can be fed into a computer. This is the point that Austrians (especially Hayek and Lavoie) have denied. The whole issue of tacit knowledge, deriving from Hayek's aforementioned theory of mind, suggests that not all, and in fact only a portion, of the data needed to solve these equations objectively exists (Horwitz 1996: 73).

Horwitz's conclusion is that realizing socialism does not depend on the potential of overcoming the limitations of computing with the advancements of modern information technology, but rather on the possibility of exceeding the limits of the human mind.

Considering that non-market socialists might answer the modern Austrian challenge by showing that these arguments on tacit knowledge and the essential role of entrepreneurship in discovering data through market processes are exclusively held true for capitalism. That is, the socialist transformation of the current state of affairs

and establishing a new social and economic order tacit knowledge may become transparent and objectifiable, hence there is no longer a need for the mediation of the market to make use of it, because it is possible to get a hold of the relevant data required for rational calculation directly from producers and consumers.

Socialist opponents of the Austrian school such as Fikret Adaman and Pat Devine noticed that problem and seized the opportunity to tackle the modern Austrian argument. Following Maurice Dobb, Adaman and Devine recognized the Austrian claim regarding the dispersed and tacit character of knowledge necessary for economic calculation, yet they declined the premise that there is no alternative social process of discovery to market competition based on private ownership and rivalry among individual agents as entrepreneurs. Adaman and Devine reasoned that it is ‘mere assertion’ to insist that discovering and mobilizing tacit knowledge cannot be carried out otherwise than actively getting involved in the ‘dialogue of the market’.

In their view a paradox lies within the Austrian position. They highlight that even though while emphasizing the general importance of tacit knowledge in performing rational economic calculation and conscious economic activity, the Austrian advocates of capitalism overlook that the capitalist system by its nature excludes many individuals for the social process of discovering and mobilizing tacit knowledge. In general terms, those who are incapable of actively participate in the market competition as entrepreneurs, viz. non-entrepreneurs are excluded from the process that should involve all individuals who retain knowledge. Adaman and Devine deem that the ways of accessing to “the necessary material and personal resources and opportunities” (Adaman and Devine 1996: 532) is reserved under capitalist conditions exclusively to those managers who have admission to the social process of discovery and own or control the privately or corporately owned enterprises. Instead of exclusive admission of the few privileged they call for getting everyone involved in the social process through democratic ‘participatory planning’:

Participatory planning at each level of decision making would enable knowledge of previously articulated interests, possibilities, and *interdependencies* to be discovered and articulated, through a process of social interaction among those affected. It is precisely this possibility that enables a more general social mobilization of tacit knowledge than that envisaged by the Austrians to be combined with *ex ante* coordination of major interdependent decisions (Adaman and Devine 1996: 532-533).

Adaman's and Devine's proposal for 'participatory planning' was criticized by Geoffrey Hodgson's recent paper (Hodgson 2016), in which he attempted to show the limitations of the calculation debate and point out the deficiencies of both sides. He takes the view that during the course of the debate socialists did not successfully defend and justify the *raison d'être* of central planning, while the Austrians' pleading for capitalism against socialism proved to be inadequate, because both sides ignored the important role of institutions played in developing and mediating of all sorts of knowledge that is indispensable for running and sustaining a viable economic and social organization (Hodgson 2016: 33).

As for the concept of Adaman's and Devine's 'participatory planning', Hodgson remarks that they have made false judgments based on a misunderstanding of the Austrian epistemological approach to knowledge. Hodgson believes that although they recognized its dispersed and tacit character, they still suppose that knowledge required for conscious and rational planning is explicit and thus discoverable. Hodgson underlines that tacit knowledge is inexplicit and generally out of reach, in addition quotes Michael Polanyi and Friedrich Hayek⁶⁶ to reinforce his statement that such knowledge is similar to our acquaintance with language:

Tacit knowledge is a necessary foundation to all knowledge. Just as logically we cannot adequately define every single word in the dictionary in terms of the other words, generally we must rely on intuitions or tacit meanings (Hodgson 2016: 39).

Moreover, referring to Polanyi again, Hodgson adds that it would be a dangerous and fallacious undertaking to unfold and construe all tacit knowledge, therefore making 'all human affairs', including our thoughts, explicit subjects of rational scientific exploration and discussion (Hodgson 2016: 39) or as Polanyi states *The Tacit Dimension*:

⁶⁶ More precisely, Hodgson quotes the following statement on the social character of tacit knowledge from the *Road to Serfdom* in which Hayek insisted that the "interaction of individuals, possessing different knowledge and different views, is what constitutes the life of thought. The growth of reason is a social process based on the existence of such differences" (Hodgson 2016: 39). Subsequently he refers to Polanyi who warned in *The Tacit Dimension* that "the ideal of eliminating all personal elements of knowledge would, in effect, aim at the destruction of all knowledge [...], the process of formalizing all knowledge to the exclusion of any tacit knowledge is self-defeating (Hodgson 2016: 39).

The declared aim of modern science is to establish strictly detached, objective knowledge. Any falling short of this ideal is accepted only as a temporary imperfection, which we must aim at eliminating. But suppose that tacit thought forms an indispensable part of all knowledge, and then the ideal of eliminating all personal elements of knowledge would, in effect aim at the destruction of all knowledge. The ideal of exact science would turn out to be fundamentally misleading and possibly a source of devastating fallacies (Polanyi 1966: 20).

Before denouncing how the Austrian school and their socialist opponents missed to notice the importance of the state and the legal system while formulating their arguments, Hodgson gives a brief overview of the calculation debate. In his survey he mentions that without Albert Schäffle's critical remarks on socialism even the primmest historical account of the debate should be considered as incomplete (Hodgson 2016: 34). Schäffle was a sociologist and economist of the German historical school at the turn of the 19th and 20th century, who casted aspersions on socialism on the basis of deficiencies related to central planning and the collectivist organization of the system. Hodgson mentions that in his 1908 work, *The Quintessence of Socialism*, Schäffle envisaged an alternative collectivist society to capitalism with millions of workers which has to find a solution to the problem of how to give to each individual "at least as strong an interest in collective work as he has under the liberal system of production" (Schäffle 1908: 57). In Hodgson's interpretation, even though the investigation was not as revealing as the sophisticated analysis of the Austrian school, Schäffle has been already aware of the difficulties that result from performing economic calculation in labour time and he put it in relation to the problem of initiatives. Emphasizing the heterogeneity of labour, Schäffle argued that using labour time for measuring inputs would "undermine individual incentives to increase productivity" (Hodgson 2016: 35). Hodgson's summary of Schäffle's critique of socialism also reveals that the economist of the German historical school warned that computational problems would occur in the socialist economy due to its inability to get access to data required for rational economic planning. Supplementary to his arguments against socialism, Schäffle added that socialists could solve these problems by only giving up their egalitarian and democratic principles in order to exercise central authority over economy and society, because "without strongly deterrent drawbacks and compensatory obligations for bad and unproductive work, a collective system of production is inconceivable, or at least any system that would

even distantly approach in efficiency the capitalist system of today “ (Schäffle 1892: 73-74). This entails that on the way of establishing an alternative society to capitalism socialists get into conflict with their own ideals and obliged to make a choice between realizing socialism and guarding democratic values because socialism and democracy seem to be incompatible with each other.

After exposing that Schäffle had already tackled socialism on the basis of premises that later occurred among the arguments of the Austrian school in the socialist calculation debate, Hodgson expresses certain doubts concerning the Austrian position. He commences the critical survey by acknowledging the merits of the Austrians in coming up with a powerful and comprehensive critique of socialist central planning. However, he misses that the Austrian defenders of capitalism did not evaluate or even laid down the foundations of a practical economic policy with the aim of improving the current system (Hodgson 2016: 42). Hodgson concludes that by neglecting all kinds of alternative and intermediate proposals to unregulated free market competition based on private property the Austrians turned into extreme apologists of capitalism obsessed by their blinkered ideology. In Hodgson’s opinion, the mere and inexact solution of the Austrians to all economic problems occurring within the current state of affairs is weakening state control over the economy and providing more freedom to the market and private ownership, so his verdict is that “[ironically, such Austrian writers share with many Marxists a failure to elaborate the details of practical economic policy for the here-and-now. Both extremes have more in common than either would care to admit” (Hodgson 2016: 42).

First of all, Hodgson argues that Mises and Hayek, who called into question that socialist systems without private property and market exchange are viable, depicted those institutions which they considered essential for any social and economic organization (Hodgson 2016: 42). Hodgson also points out that the forenamed Austrian theorists did not give a clear definition and did not clarify the proper meaning of those notions like ‘property’ and ‘market exchange’ upon which they construed their line of defence on the side of capitalism against socialism. In the terminology of the Austrian school, there is no clear distinction between ‘property’ and ‘possession’, thus, ownership actually means no more than ‘having’ or ‘controlling’ one’s belongings without paying attention to the fact that property does not merely signifies control over possessions, but also “involves legal rights established by legislative and juridical institutions” (Hodgson 2016: 42).

Second, Hodgson notes that the Austrian position was based on wide and universal conceptualization of markets and exchange. As an illustration, he reveals that from an atomistic point of view Mises regarded all actions, including those performed by a remote individual, as an act of exchange, and consequently, his definition of market society is rather loose than illuminating: “[Mises] described any economy with a division of labour, where production was vaguely under some *private* control, as a *market* economy. These loose criteria could apply all social formations in human history” (Hodgson 2016: 42). Hodgson comes to the conclusion that without understanding and taking into consideration the role which institutions played in shaping private property rights and market relations, the arguments of the Austrian school is no more convincing than their socialist opponents’ reasons for central planning.

Conclusions and Implications

Despite its shortcomings, I am of the opinion that the arguments of the Austrian school go beyond the ideological horizon of praising capitalism for its technical and economic efficiency and draw attention to an essential nexus that exists between individuals and the extant capitalist order. In concrete terms, the Austrian defenders of capitalism, from the pioneers of the 20s and 30s to the modern adherents of the Austrian school, pointed out that the importance of market relations and mechanisms does not exhaust in catering the most applicable technical apparatus for performing rational economic calculation, carrying out optimal resource allocation and creating a balance between supply and demand. The Austrians also alluded that on the ground of capitalist institutions spontaneously grows out an order with its own particular explicit and tacit expertise and rules that determine and shape individual actions, choices, demands, habits, etc. to an extent that individuals are not only indisposed to replace capitalism with socialism but cannot even imagine an alternative realm to the current state of affairs.

Although in his lifetime, Marx refused to give a comprehensive or systematic account of his ideas on socialism, in the middle of the 19th century he did in fact have a certain and particular vision of a system that arose from the on-going inherent social, political and economic trends in capitalism. As it has been shown from the reconstruction of Marx's post-capitalist vision, tendencies such as the centralization and concentration of capital establish the inevitable socialist transformation of economy and society. To date, his prognosis was barely justified by the development of modern capitalism.

When thinking about trends of capital centralization to which Marx dedicates crucial importance in the socialist transformation of capitalism, one would hardly deny that for example, the automotive industry is owned and run by less than a dozen giant manufacturing groups, which supports Marx's theorem of centralization. However, it is rather disputable if centralization in the field of motor vehicle production and other major sectors of global industry were followed by the socialization of production and distribution, which rendered the world market eliminable and created the possibility of organizing and running the globalized economy analogous to the structure a firm which could be orchestrated by a single plan.

If the analysis of Thomas Piketty proves to be accurate, inequalities have now reached a level that it is no exaggeration to state that for the first decade of the new Millennium mankind entered into a new Gilded Age or a second Belle Époque as the author of *Capital in the 21st Century* asserts. In other words, capital shows an observable tendency to the return of social and wealth inequalities reminiscent to the 19th century. Unless a global progressive wealth taxation policy is not implemented, according to his prognosis, the alarming trend of rising inequalities would continue most probably as the fortune of the wealthiest 1%, or 0, 1%, or 0, 01% of the population grows from the traceable fact that their return on capital (r) exceeds the rate of economic growth (g) as Piketty's $r > g$ formula demonstrates. Correspondingly, the growth of capital to income will widen the gap between the return on capital and the rate of economic growth, which "in the long run have powerful and destabilizing effects on the structure and dynamics of social inequality" (Piketty 2014: 77.). In sum, the future is about how the richest few will become richer, while the numerous poor will become even poorer.

The outcome of Piketty's research corroborate with Marx's predication, which indicates that the centralization of capital goes hand in hand with the concentration of capital, and the more wealth inequalities increase, the worse the living conditions of the masses get, which intensifies and exacerbates class struggle. As it had been shown, Marx was certain that the working class suffers the most from the injustices of capitalism, thus it is their common interest to transform the system and introduce communism. Although the working class movement had undeniably made great achievements in restraining the intemperance of capitalism and successfully protected and asserted its own particular interests opposed to the capitalist system during the course of history, it was distant from breaking out a global communist revolution.

The Marxian two-class dichotomy, in itself, has already become outdated. It is hardly suitable for describing social, political and economic relations without extending the meaning and scope of these fundamental notions of Marxist terminology. Theorists of the mainstream radical Left who emphasize that the time for the communist transformation of capitalism has now arrived, especially Slavoj Žižek made efforts for redefining the notion of the working class as the revolutionary agent of historical change. In the 2015 book, *Trouble in Paradise: From the End of History to the End of Capitalism* the Slovenian philosopher suggests that everybody who is being exploited under capitalism in our time belongs to the revolutionary class of the

proletariat: “workers, the unemployed and the unemployable, the ‘precariat’, the ‘cognitariat’, illegal immigrants, slum dwellers, ‘rogue states’ excluded from ‘civilized’ space” (Žižek 2015: 287). In this text he identifies communism as an ‘emancipatory idea’ of quitting what he refers to as “the totality of the existing capitalist order” (Žižek 2015: 299-300.). Nevertheless, as it was mentioned in the case of Badiou, Negri and Dean, Žižek’s philosophical communism is nothing but high-sounding theoretical wisdom that lacks any concreteness on how the exploited masses ignited by the desire of communism could accomplish their emancipatory and egalitarian aspirations. Though he does not offer a solution to it, Žižek seems to be aware of this problem of lacking a know-how or positive program in philosophical communism. He warns that when the positive or affirmative feature is missing from the idealistic emancipatory project of socialism it will necessarily end up “imposing a new positive order which is an imitation of the old one, sometimes even radicalizing its worst features” (Žižek 2015: 334.). He also notes that when “we merely abolish the market (inclusive of market exploitation) without replacing it with a proper form of Communist organization of production and exchange, domination returns with a vengeance, and with direct exploitation” (Žižek 2015: 334.). Be that as it may, Žižek, like his fellow comrades, does not reveal what he considers as the ‘proper form of Communist Organization of production and exchange’.

Marx at least had some practical ideas on post-capitalism which he revealed in some of his works occasionally even shifting away from his own credo of not writing ‘recipes for the cook-shops of the future’. However, Marx’s politico-economic proposal for developing the communist future is more like a dead end than a freeway for moving on to socialism from capitalism in the 21st century. Overall, the review of the calculation debate rather exposed that the probability of establishing a system superior to capitalism following the principles of the Marxian political economy of socialism are pointless. All things considered, a novel experiment with putting into practice a socialistic–communistic program for changing capitalism and installing socialism according to Marx’s layouts are bound to fail and in the end would probably bring about an identity crisis of the Left, similar to the one that the Left went through the period after the worldwide collapse of ‘actually existing socialism’.

Even though the perspective of Marxian socialism does not augur well for the future this should not deter the Left from speaking out against the injustices and inequities of modern capitalism in the name of Marx’s emancipatory humanism. For

advocates of the Left who feel compelled to acting so, Piketty's study on the rising inequalities just came at the right time. The interdisciplinary research of the French economist revitalized the discourse on social inequalities, which is a classical agenda of early political economy, yet has become a long-forgotten theme in modern economics over decades. The overarching conceptual framework of Piketty's analysis refuses the fragmentation of social sciences and adopts an organic and holistic approach to comprehend the problem of rising inequalities from a historical point of view. Recently, the work of Piketty was brought into the forefront of the 'grand theory' in economics, which relates to János Kornai's scientific program of the system paradigmatic study of the historical formations of capitalism and socialism for the sake of understanding disquieting current global political, social and economic trends. Further research on former and current inequality trends together with the interdisciplinary and comparative study of 'actually existing socialism' in relation to capitalism is now a purposeful opportunity for the Left to make sense of its past, understand the present and search for perspectives to bring about prominent changes in the future.

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