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**Marx's critique of
socialist labor-money
schemes and the myth
of council communism's
Proudhonism**

Some left theorists have claimed that the council communist tradition actually advocated a self-managed capitalist economy, rather than a truly communist one. This essay aims to expose and dismantle that myth by examining some writings of council communists, particularly those of the Dutch Group of International Communists and Anton Pannekoek, and comparing them with Karl Marx's own writings on post-capitalist labor-time accounting. Through this process, I hope to show that the myth about council communism is fundamentally based on a misrepresentation of Marx's stance on these issues. In order to understand the similarities and revolutionary perspectives of Marx's and the council communists' analyses, it is necessary to dispel the myths about Marx's own views, and to emphasize his distinction between measurement of labor under capitalism by "value," and measurement of socialist "directly social labor" by time. Accordingly, much of the essay will focus on Marx.

It is clear that self-management was a primary concern of the council communists. As Pannekoek put it in 1952, "Workers' councils does not designate a form of organization whose lines are fixed once and for all, and which requires only the subsequent elaboration of the details. It is concerned with a principle—the principle of

the workers' self-management of enterprises and of production." ¹ Some critics contend that the theory of workers' self-management advocated by Pannekoek and others, by ignoring the specific content of communist social relations, in fact perpetuates capitalist social relations. The contention that the council communists advocated capitalist forms is tied to the question of labor certificates, or vouchers, an idea that has a long history in the socialist movement.

Gilles Dauvé's 1969 critique of the council communist tradition in "Leninism and the Ultra-Left" seems to be an important point of reference for a modern tendency that theorizes revolutionary transformation as "communization" and questions the traditional Marxist notion of a revolutionary transitional period. ² Dauvé rejected the ideas of labor certificates and of labor-time accounting as part of a critique of any notion of a socialist "management of the economy." ³ The representatives of the council communist tradition, Dauvé asserted in a follow-up essay, "Notes on Trotsky, Pannekoek, and Bordiga," "were wrong to look for a rational accounting system in labor-time." ⁴ Dauvé claims that Marx himself rejected labor-time accounting and vouchers at the beginning of the *Grundrisse*. ⁵ One significant reason to be skeptical of

Dauvé's claim is the fact that Marx proposed just such a system of labor-time vouchers as part of the first phase of communism in his *Critique of the Gotha Programme*, written after the *Grundrisse*. It is true that Marx was extremely critical of the idea of "labour-money," which he associated with the Ricardian socialists and the Proudhonists. Yet, in 1875, he offers support to the idea of tying consumption to work-hours through "certificates." Was Marx going back on his previous position? Was he assuming the persistence of the law of value in a communist society? This essay will argue that Marx did neither of these things, and that his remarks in the *Critique of the Gotha Programme*—and the council communist elaboration of this theme, whatever its flaws—are consistent with his critique of "labour-money." This demonstration will reveal Dauvé's use of Marx's theory to rest on a misunderstanding. While Dauvé's critique of the council communist attitude toward political parties will be unaffected, his influential critique of "self-management" will be significantly weakened.

Marx's *Gothakritik*

First we must briefly review what Marx wrote in his *Critique of the Gotha Programme* regarding the first

phase of communism. There are three more or less distinct periods described by Marx, which are often confused. There is a period of revolutionary transformation, a first phase of communist society, and a higher phase of communist society. Within the context of discussing these societal shifts, “socialism” is never described by Marx as a distinct phase, as he did not differentiate between the concept of socialist society and communist society—the terms were interchangeable for Marx. ⁶ Nonetheless, Marx divides socialism or communism into two phases. Before any type of communist society comes into existence, Marx writes of a necessary “revolutionary transformation”: “Between capitalist and communist society there is a period of revolutionary transformation of one into the other. There is also correspondingly a period of political transition, in which the state can be nothing else but *the revolutionary dictatorship of the proletariat.*” ⁷ Although described at an earlier point in the *Critique*, the two phases of communist society chronologically follow this transformation of capitalism into communism. The first phase of communist society ties individual consumption to hours worked, while the higher phase of communist society functions in accord with the principle, “from each according to his ability, to each according to his needs.” ⁸ Marx describes the first phase of communism

as “communist society, not as it has *developed* on its own foundations, but, on the contrary, as it *emerges* from capitalist society.” In this first phase of communism, the worker “gets from society a receipt that he has contributed such and such an amount of labour (after a deduction of labour for common reserves) and withdraws from society’s stores of the means of consumption an equal amount costed in labour terms.” ⁹ While Marx discusses this form of society as still marked by its emergence from capitalism, and therefore inadequate in certain respects, it is nonetheless described as *communism*: a society that has dispensed with the state, value, and the institution of wage-labor.

Right from the first phase of communist society, labor must be socially distributed for the purpose of satisfying human needs. By contrast, the *post festum* social planning of capitalism requires that the human labor expended on the products of individual capitals be evaluated against the norm of socially necessary labor time, thus returning more or less of society’s labor-time in the form of money than was set in motion by any given capital. In a capitalist society, the “active norm” of socially necessary labor time operates through competition to discipline the capitalist producers. ¹⁰ In

the first phase of communist society, remuneration is tied to labor performed, but the labor of the individual producer is recognized directly, through the process of production, as a contribution to the material wellbeing of society. The labor expended on products does not, in Marx's words, "appear any more *as the value* of these products, one of the material properties that they possess, because now in contrast to capitalist society, the labour of individuals will no longer be a constituent part of the total labour in a roundabout way, but will be a part of it directly." ¹¹ The mystery of the value-form stems from the fact that capitalism is a "social formation in which the process of production has mastery over man, instead of the opposite." ¹² The crucial distinction for Marx between capitalist society and communist society is this: workers are no longer dominated by their alienated labor in the form of capital, since they have brought production under their collective control. This destroys the fetishistic, value-form of the product of labor. As Marx put it in *Capital*: "The religious reflections of the real world can, in any case, vanish only when the practical relations of everyday life between man and man, and man and nature, generally present themselves to him in a transparent and rational form. The veil is not removed from the countenance of the social life-process, i.e. the process of material production, until it becomes

production by freely associated men, and stands under their conscious and planned control.” 13 As we shall see, in Dauvé’s critique of labor-time accounting, this is *not* the fundamental distinction between capitalist and communist forms of society. He instead characterizes a *conscious measuring* of average labor-times as constitutive of the capitalist value-relation.

The Famous Critique of “Councilism”

Dauvé’s seminal critique of the council communist tradition, laid out in the essay “Leninism and the Ultra-Left,” condemns the council communist theory of workers’ self-management for reproducing capitalist relations of production. In another essay entitled “Notes on Trotsky, Pannekoek, and Bordiga,” the Italian left communist Amadeo Bordiga is viewed as a sort of corrective to the Dutch-German Left’s ideology of self-management. But what exactly needs to be corrected? What is it about self-management that is capitalist? It is not democratic control of production *per se*, but rather the assumed existence of certain social relations within the self-managed economy envisaged by the council communists. Dauvé writes, “The theory of the management of society through workers’ councils does not take the dynamics of capitalism into account. It

retains all the categories and characteristics of capitalism: wage-labour, law of value, exchange. The sort of socialism it proposes is nothing other than capitalism—democratically managed by the workers.” [14](#) *This central claim is simply false.*

But what is Dauvé even referring to? While he has a number of footnotes citing Marx’s work, he cites no council communist text that would validate his claims. Here we must review a bit of history. The Dutch council communists had, in the 1930’s, supported the idea of using the average labor time needed to produce goods as an accounting unit for a communist economy. Paul Mattick and the American council communists supported and publicized these ideas. [15](#) The major work on this subject, written by the Group of International Communists of Holland (GIC) and published in 1930, was called, “Fundamental Principles of Communist Production and Distribution.” [16](#) The GIC was meticulous in assembling Marx and Engels’ comments on the topic of communist society, and their ideas are seemingly an elaboration on Marx’s brief comments in the *Critique of the Gotha Programme*. In the GIC’s schema, workers would receive certificates for the hours of labor they perform, and these would be redeemable, after certain deductions for general social services, for the amount of goods, which, on average, took the same amount of time

to produce. These certificates would not circulate like money, nor would they be used in relations between productive enterprises. Here is a passage from their book that describes this setup:

The sole role of labour certificates is to function as the means to enable individual consumption in all its variety to be regulated according to the measure of labour-time. A part of the total 'yield' of any individual unit of labour is, in the course of daily economic life, already consumed through the processes of socialised distribution, ie., reproduction, whilst only a certain proportion of that total can make its way in the form of labour certificates into the hands of individual consumers and be expended in accordance with the production times stamped upon the separate consumption articles. We have already observed that the mass of labour certificates issued becomes continually smaller as the process of socialisation of distribution proceeds, finally to reach a figure of nil. 17

This last sentence essentially refers to the passage to the higher phase of communism. 18 Despite what Dauvé writes, the GIC very clearly opposed what Marx called “wage labor,” and advocated a classless society in which the workers collectively managed production and distribution. In the GIC’s proposal, the needs of society

are to be ascertained through shop organizations and consumers' cooperatives, and there is to be no market. 19

The GIC did not wish for workers to democratically manage independent enterprises, which would exchange with each other, and were critical of Proudhon's influence on syndicalism in this regard. In their analysis, this sort of opposition to all centralized control would paradoxically lead to what they called "State communism" (as in the Soviet Union) as an economic necessity, since the workers would not have established centralized economic control from below: "It is, of course, also possible that syndicalist tendencies may be present, with such a degree of strength that the attempt of the workers to assume their own administrative control over the industrial establishments is accompanied by attempts to retain the role of money as the medium of exchange. Were this to occur, the result could be nothing other than the establishment of a form of guild socialism, which in its turn could only lead by another road to State communism." 20 In an article on anarchism and the Spanish revolution, the GIC writes, "The right of self-determination of the workers over the factories and enterprises on the one hand and centralization of management of production on the

other, are incompatible so long as the foundations of capitalism, money and commodity production, are not abolished, and a new mode of production, based on the social average labor-time substituted instead.” 21 Furthermore, the GIC directly challenged Marxist thinkers, such as Kautsky, who they considered to advocate the persistence of capitalist economic categories:

The point must be made at the outset that Kautsky speaks quite unreservedly about the ‘prices’ of products as if these still have validity under communism. He is of course entitled to keep faith with his own terminology since, as we have seen, ‘prices’ continue to function in the Kautskyian brand of ‘communism’. In the same way as, for this ‘Marxist’, the category of value is attributed with everlasting life and just as, under his ‘communism’ money also continues to function, in the same way prices also are assured an eternal life. But what kind of communism is it in which the same economic categories continue to have validity as exist under capitalism? 22

The GIC argued that, in what they called a “system of planned use-value production,” in which “*the relation of the producers to the social product is directly expressed,*” the computation of the labor-time necessary to produce these use-values “has nothing to do with value.” 23 So, in

what way were these enemies of the persistence of the economic categories of capitalism advocating the rule of the law of value? Dauve writes, “Pannekoek and his friends [the GIC] were quite right to go back to value and its implications. But they were wrong to look for a rational accounting system in labor-time. What they propose is in fact the rule of value (since value is nothing but the amount of social labor-time necessary to produce a good) without the intervention of money. One may add that this was attacked by Marx in 1857, at the beginning of the *Grundrisse*.” [24](#)In a book on the history of the German Communist Left, Dauvé makes a similar claim, criticizing the GIC’s book for preserving “the value relation, the general equivalent,” even while destroying its apparent forms, referring the reader to Marx’s critique of Proudhon. [25](#)

It must be pointed out, however, that value is not simply “the amount of social labor-time necessary to produce a good.” This is merely the *magnitude* of value, the average amount of time it takes to produce some use-value. [26](#) In a communal economy, products do not take on the *form* of value to begin with, so on Marx’s usage, what is being described is no longer a measure *of value*. Dauvé must say what he does, however, so that any measurement of average labor time can be classed as

“value” and therefore capitalist, without specifying how the social relations of a democratically planned economy are value-relations in Marx’s sense.

Dauvé uses “value” as a scare-word, a way of justifying the ascription of “capitalist” to council communist proposals without actually citing any compelling evidence that either 1) the Marxian law of value should be said to operate in a democratically planned economy, or that 2) the council communists advocated democratic planning only at the level of the enterprise. For example, Dauvé writes disapprovingly, “Pannekoek’s *Workers’ Councils* defines communism as a democratic system of book-keeping and value accounting.” [27](#) For Dauvé, labor-time accounting as such is constitutive of the law of value.

Pannekoek, of course, never defines communism in the manner described by Dauvé. Here are some relevant passages from Pannekoek:

Labor is a social process. Each enterprise is part of the productive body of society. The total social production is formed by their connection and collaboration. Like the cells that constitute the living organism, they cannot exist isolated and cut off from the body. So the organization of

the work inside the shop is only one-half of the task of the workers. Over it, a still more important task, stands the joining of the separate enterprises, their combination into a social organization.... How will the quantities of labor spent and the quantities of product to which [the worker] is entitled be measured? In a society where the goods are produced directly for consumption there is no market to exchange them; and no value, as expression of the labor contained in them establishes itself automatically out of the processes of buying and selling. Here the labor spent must be expressed in a direct way by the number of hours. The administration keeps book [records] of the hours of labor contained in every piece or unit quantity of product, as well as of the hours spent by each of the workers. In the averages over all the workers of a factory, and finally, over all the factories of the same category, the personal differences are smoothed out and the personal results are intercompared.... As a plain and intelligible numerical image the process of production is laid open to everybody's views. Here mankind views and controls its own life. What the workers and their councils devise and plan in organized collaboration is shown in character and results in the figures of bookkeeping. Only because they are perpetually before the eyes of every worker the direction of social production by the producers themselves is rendered possible. 28

As we will see, Pannekoek's description of the transparency of the communist process of production is reminiscent of Marx's description of communism in *Capital*. Marx decidedly does *not* identify the "rule of value" with bookkeeping and conscious social control over the production process, but rather with the producers' subordination to the production process. According to Marx, "the concept 'value' presupposes 'exchanges' of the products. Where labour is communal, the relations of men in their social production do not manifest themselves as 'values' of 'things'." ²⁹ It is nonetheless in this sort of society, as described by Pannekoek above, that Dauvé insists workers' councils would necessarily function like capitalist enterprises. ³⁰ Does Marx's argument in the *Grundrisse* support Dauvé's position, as he suggests? The criticism of the labor-time accounting of the GIC is made on the basis of Marx's value theory, although there is conveniently no mention made of Marx's comments in the *Critique of the Gotha Programme*. If Marx actually rejected this sort of labor-time accounting in the *Grundrisse*, this would seem to clash with his remarks in the *Critique of the Gotha Programme*. Was Marx mistakenly advocating a return to capitalism in that text, or did he not identify labor-time accounting with capitalism and the law of value?

The use of the labor-certificates described by Marx would require some form of labor-time accounting to keep track of the amount of time that it takes to produce various goods, both because this is necessary for a planned allocation of resources, and also because the labor certificates are to be denominated in units of labor-time. But why are such certificates advocated by Marx, instead of denounced as a utopian labor-money scheme? In order to better understand how Marx understood these issues, we will look at his various writings on the subject of labor-money schemes, as well as investigate how Marx employed his value theory in this context.

Marx's Critique of Labor-Money

Marx's critique of labor-money is predicated on the idea that it cannot do what it is intended to do. He calls it a "pseudo-economic term." [31](#) That socialists would propose such an ineffective solution to the problems of capitalism suggested to Marx an inadequate understanding of the role of money in capitalist society. As early as 1844, in his notes on James Mill's *Elements of Political Economy*, Marx was developing a distinct theory of money within the framework of his understanding of human alienation. Marx views money as expressive of particular social relations—relations that have escaped

genuine human control. He writes that “the mediating movement of man engaged in exchange is not a social, human movement, it is no *human relationship*: it is the *abstract relation* of private property to private property, and this abstract relation is the *value* which acquires a real existence as value only in the form of *money*.” 32 It is precisely this understanding of the genesis of money that Marx uses against Proudhon, when he exclaims, “Money is not a thing, it is a social relation.” 33 This understanding of money is reaffirmed in the *Grundrisse*, where Marx writes that in money “individuals have alienated their own social relationship from themselves so that it takes the form of a thing.” 34 It is on this basis that Marx criticized the advocates of labor-money. Since the value-form, and thus money, springs from the social relation of private exchange, simply modifying the token used to effect this exchange cannot do away with the basic inadequacies of the capitalist mode of production. Marx explains that criticism is often directed at money and interest to the exclusion of the social basis of capitalism due to the fact that all of the irrationality of capitalism appears most forcefully in the money market. As Marx wrote in 1851, *Since it is in the money market that the entire crisis erupts and all the features of bourgeois production recur*

as symptoms, which, it is true, become incidental causes, nothing is simpler to understand than the fact that it is money that narrow-minded reformers who stick to the bourgeois standpoint want to reform. Because they want to retain value and private exchange, they retain the division between the product and its exchangeability. But they want to modify the token of this division in such a way that it expresses identity. 35

Marx's most extended treatment of these reformers is in the *Grundrisse*, where Marx criticizes the Proudhonist Darimon and the Ricardian socialist John Gray. Those who proposed labor-money sought to eliminate harmful or unjust aspects of capitalism such as economic crises and unequal exchanges (such as the exchange between capital and labor). They imagined that a bank could identify prices with values through the use of labor-money—tokens representing a certain number of labor hours—and that this could do away with the anarchic fluctuation of supply and demand in a capitalist monetary economy. Marx accused them of utopianism: wanting to establish socialism on the basis of commodity production. The labor theory of value was seen by Proudhon, for example, as a sort of program for justice to be realized. 36 Marx's view was quite different: "I say ... that commodity-production is necessarily, at a certain point, turned into 'capitalist' commodity-production, and

that according to the *law of value* governing it, ‘surplus value’ is properly due to the capitalist, and not to the labourer.” 37

A key point in Marx’s critique of the labor-money proposals is that while value expresses the social character of labor under capitalism, it can only do so through a market price *that is distinct from value*. The “time-chitters” erroneously believe, Marx writes, “that by annulling the *nominal difference* between real value and market value, between exchange value and price—that is, by expressing value in units of labour-time itself instead of in a given objectification of labour time, say gold and silver—that in so doing they also remove the real difference and contradiction between price and value.” 38 Marx holds that this proposed solution does not strike at the root of the contradiction, namely the lack of social control over production.

Darimon and other advocates of labor-money wished to overturn the privileged role of precious metals in circulation and exchange. Marx characterizes Darimon’s aim in the following manner: “Let the pope remain, but make everybody pope. Abolish money by making every commodity money and by equipping it with the specific attributes of money.” 39 Marx argues that commodities

cannot directly represent their universal exchangeability in terms of labor-time, but that the labor expended individually on a commodity must be represented as socially uniform labor through the medium of some universal equivalent, or money. If labor-money was used to abolish the special role of money in the economy, the value commanded by labor-money in exchange would necessarily diverge from its nominal value in terms of labor-time, and it could not affect the social equalization of diverse labors while simultaneously representing an equivalent amount of labor-time for individual commodities. When one commodity is produced more efficiently than another of the same type, it commands the same amount of money on the market; however, if labor-money were to exchange in equal quantities for these commodities, it could not at the same time represent a specific amount of labor-time. The sort of organization of social production adequate to a society of commodity producers relies on the competitive dynamic of price movements.

Also relevant in this connection is Marx's discussion of the Simple Form of value in *Capital*, Volume I, where he analyzes the relative and equivalent forms, whereby one commodity (in the relative form) expresses its value through the body of another commodity (in the

equivalent form). Marx writes that these forms “exclude each other as polar opposites.” ⁴⁰ This is significant insofar as the private labor expended on a commodity cannot directly represent social labor independently of the exchange relationship, and here only the commodity in the equivalent form, which expresses the value of the other commodity, represents social labor in its material form. The social relations of value production thus necessarily manifest themselves in the relation between two things, as the attribute of a thing, as an intrinsic property. Money is described as a general equivalent, a commodity through which all other commodities express their value.

In *Capital*, Marx links his analysis of the form of value to his critique of Proudhon and the Ricardian socialists, once again using his pope metaphor: “It is by no means self-evident that the form of direct and universal exchangeability is an antagonistic form, as inseparable from its opposite, the form of non-direct exchangeability, as the positivity of one pole of a magnet is from the negativity of the other pole. This has allowed the illusion to arise that all commodities can simultaneously be imprinted with the stamp of direct exchangeability, in the same way that it might be imagined that all Catholics can be popes.” ⁴¹ Not only do the Catholics rely on their

pope, but also the pope would not have his position if there were no Catholics. In the same way, the products of mutually indifferent producers cannot be socially distributed without money, and money would not exist if goods were not produced as commodities.

The dual character of the commodity, discussed at the start of *Capital*, is foundational for Marx's treatment of money. The commodity is both a use-value and a value because it is produced for exchange, rather than simply as an object of consumption for the producers. For the owner, the commodity represents a claim on a portion of the social product. Its social form as a value is evident in the way we act and the way we speak of commodities and their worth in a developed capitalist society. Only with the expansion of the market and the various branches of industry can the vast majority of goods be produced as commodities. This development of industry and the division of labor develops the social character of the commodity, the necessity for its evaluation against all of the other goods on the market. According to Marx, the commodity as use-value enters into contradiction with its character as an exchangeable value, in which capacity it is related to the whole world of commodities in various proportions. As a use-value, the commodity is not divisible at will into the various proportions in which it

might be exchangeable with the diverse commodities necessary for consumption and the maintenance of industry. The necessity of money is the necessity for an independent representation of value *as such*. Every commodity can thus be expressed as a component part of the total social product without production being determined by the needs of the consumers.

The claim on a portion of the social product represented by the commodity may or may not be realized on the market. Even if nothing but socially necessary labor time is expended on a commodity, it can still turn out that superfluous labor was expended if demand for a particular commodity is insufficient. The seller of the commodity supplies a use-value and demands its exchange-value, but the demand for the commodity is not determined by the value the seller wishes to realize in exchange. The buyer may not desire the quantity of use-value supplied at the offered price. Insofar as supply and demand determine price fluctuations, prices for individual commodities—the monetary value the capitalist hopes to realize in exchange—will naturally diverge from commodity values, determined by socially necessary labor time.

In the section of the *Grundrisse* dealing with John Gray, Marx develops the contradictions inherent in his ideas about labor-money. Starting out from the assumption of commodity production, and assuming that a central bank issues labor-money, Marx argues that the only way the vicissitudes of the market could be eliminated is if the bank became the “general buyer and seller, but also the general producer.” If private producers actually receive labor-money in proportion to the labor time spent producing their goods, the regulative role of supply and demand would be annulled, leading to economic collapse; whereas, if the bank itself makes determinations of value, it comes to act as the real organizer of production. In other words, the bank would have to impose a despotic plan on an unplanned economy. Gray’s goals can only be achieved in opposition to his premises. Marx also considers the social function of this despotic bank from the point of view of the common ownership of the means of production: “In fact either it would be a despotic ruler of production and trustee of distribution, or it would indeed be nothing more than a board which keeps the books and accounts for a society producing in common.” [42](#) Naturally, Marx favors the latter alternative.

Marx claims that Gray assumes an economic foundation of private production instead of common, society-wide control, but wishes to do away with the economic consequences of private production. The labor-money system of equal exchange on the basis of commodity production, carried to its logical conclusion of doing away with the evils of the monetary system, necessitates leaving commodity production behind, just as commodity production necessitates the divergence of price from value and other things Gray dislikes. Marx's discussion of Gray's system in *A Contribution to the Critique of Political Economy* sheds light on the passages from the *Grundrisse*. Marx writes, "On the one hand, society in the shape of the bank makes the individuals independent of the conditions of private exchange, and, on the other hand, it causes them to continue to produce on the basis of private exchange. Although Gray merely wants 'to reform' the money evolved by commodity exchange, he is compelled by the intrinsic logic of the subject-matter to repudiate one condition of bourgeois production after another." 43

It is this desire to try to solve the problems of capitalism by reforming the money system that Marx singles out as the essence of the labor-money schemes. In the *Grundrisse*, when Marx is criticizing Darimon, he

summarizes the issue in this way: “The general question would be this: Can the existing relations of production and the relations of distribution which correspond to them be revolutionized by a change in the instrument of circulation, in the organization of circulation?” 44 The proponents of the labor-money schemes focused attention on the medium of exchange without understanding the underlying relations of production. As John Gray wrote, “A defective system of exchange is not one amongst many other evils of nearly equal importance: it is *the* evil—*the* disease—*the* stumbling block of the whole society.” 45 Marx believed that the evils of bourgeois society which the advocates of labor-money aimed to cure, such as the rising and falling of prices, are “not to be remedied by ‘transforming’ the banks or by founding a rational ‘money system.’” 46 For Marx, it is utopian to “wish to retain commodities but not money, production based on private exchange without the essential conditions for this type of production” 47

Marx expressed these ideas in his critique of Gray in the *Contribution to the Critique of Political Economy: Commodities are the direct products of isolated independent individual kinds of labour, and through their alienation in the course of individual exchange they must*

prove that they are general social labor, in other words, on the basis of commodity production, labour becomes social labour only as a result of the universal alienation of individual kinds of labour. But as Gray presupposes that the labour-time contained in commodities is immediately social labour-time, he presupposes that it is communal labour-time or labour-time of directly associated individuals. In that case, it would indeed be impossible for a specific commodity, such as gold or silver, to confront other commodities as the incarnation of universal labour and exchange-value would not be turned into price; but neither would use-value be turned into exchange-value and the product into a commodity, and thus the very basis of bourgeois production would be abolished. But this is by no means what Gray had—goods are to be produced as commodities but not exchanged as commodities But it was left to M. Proudhon and his school to declare seriously that the degradation of money and the exaltation of commodities was the essence of socialism and thereby to reduce socialism to an elementary misunderstanding of the inevitable correlation existing between commodities and money. 48

Money is simply a development of the relation between *commodity* and *commodity*, hence the “inevitable correlation existing between commodities and money.” Marx believed that Ricardo and classical

political economy inadequately understood this connection.

Marx's discussion of the value-form in *Capital*, Volume I, referred to above, is a detailed analysis of the connection between commodity and money, an analysis "never even attempted by bourgeois economics." 49 His thesis is that "the money-form of the commodity is only the further developed shape of the simple value-form, i.e. of the expression of value of a commodity in any other commodity" 50 That these products of labor are commodities in the first place rests on the premise that they are "products of separate *private labours* carried on independently of one another." 51 The social control and accounting undertaken by the associated producers in a communist society abolishes the value-relation, and *for this reason* abolishes money. Only by ignoring the specificity of Marx's critique of the labour-money schemes and assuming that it is aimed at any system involving labor-time accounting can Dauvé maintain that it is directly applicable to the ideas of the council communists. As we will see, Marx's scattered remarks on communist society strongly support this assessment.

Marx on Communism

As we have seen, for Marx, money is not simply a unit of measure, but presupposes private commodity owners confronting each other on the market. Its *social* function is the mediation of the *private* labors of commodity producers. Given the premise of directly social labor—and this is the basis for Marx’s first phase of communism—this social function of money is no longer necessary. The labor certificates have a *different* function, that of facilitating a conscious allocation of goods. Marx makes this distinction in a pertinent digression (in a footnote) on the socialist Robert Owen in Volume I of *Capital*:

. . . Owen’s ‘labour money,’ for instance, is no more ‘money’ than a theatre ticket is. Owen presupposes directly socialized labour, a form of production diametrically opposed to the production of commodities. The certificate of labour is merely evidence of the part taken by the individual in the common labour, and of his claim to a certain portion of the common product which has been set aside for consumption. But Owen never made the mistake of presupposing the production of commodities, while, at the same time, by juggling with

money, trying to circumvent the necessary conditions of that form of production. 52

We have already seen what Marx had in mind when he refers to “juggling with money.”

In the above passage we see that Marx makes a clear distinction between the idea of a labor certificate functioning within the context of “directly socialized labor,” and the labor-money of his theoretical adversaries. It is on the basis of this distinction that we can confidently say that Marx was not advocating the rule of value in the *Critique of the Gotha Programme*, nor was he departing from his critique of utopian socialism. Further support for this position is provided by Marx’s discussion in *Capital* of a self-sufficient, isolated producer: Robinson Crusoe. Marx writes that Robinson Crusoe, “soon begins, like a good Englishman, to keep a set of books. His stock-book contains a catalogue of the various objects he possesses, of the various operations necessary for their production, and finally, of the labour-time that specific quantities of these products have on average cost him. All the relations between Robinson and these objects that form his self-created wealth are here so simple and transparent that even Mr Sedley Taylor could understand them.” 53 Significant here is the notion of a simplicity and transparency lacking in capitalist

relations, where the law of value functions behind the backs of the producers. As Marx put it in *Capital*, Volume III, the law of value operates as “a blind natural force vis-à-vis the individual agents [of capital].” ⁵⁴ This is precisely why the law of value would *not* be operative in the “system of planned use-value production” advocated by the council communists.

What Marx then goes on to do in *Capital*, Volume I, is imagine production in a communist society as a sort of contrast to capitalism, utilizing the example of Robinson Crusoe. This discussion in particular parallels Marx’s remarks about the first phase of communism in *The Critique of the Gotha Programme*. Marx writes, *Let us finally imagine, for a change, an association of free men, working with the means of production held in common, and expending their many different forms of labour-power in full self-awareness as one single social labour force. All the characteristics of Robinson’s are repeated here, but with the difference that they are social instead of individual. All Robinson’s products were exclusively the result of his own personal labour and they were therefore directly objects of utility for him personally. The total product of our imagined association is a social product. One part of this product serves as fresh means of production and remains social. But*

another part is consumed by the members of the association as means of subsistence. This part must therefore be divided amongst them. The way this division is made will vary with the particular kind of social organization of production and the corresponding level of social development attained by the producers. We shall assume, but only for the sake of a parallel with the production of commodities, that the share of each individual producer in the means of subsistence is determined by his labour-time. Labour-time would in that case play a double part. Its apportionment in accordance with a definite social plan maintains the correct proportion between the different functions of labour and the various needs of the associations. On the other hand, labour-time also serves as a measure of the part taken by each individual in the common labour, and of his share in the part of the total product destined for individual consumption. The social relations of the individual producers, both towards their labour and the products of their labour, are here transparent in their simplicity, in production as well as in distribution. 55

Here Marx draws a parallel between the transparency of Robinson's relations with his products and the transparency of the social relations of communism. Marx in no way identifies the idea of labor certificates and

labor-time accounting being used in a communist society with the law of value. 56

Far from identifying labor-time accounting with the law of value, Marx argued in the *Grundrisse* that such “economy of time” *increases* in importance with the passage to communal production:

On the basis of communal production, the determination of time remains, of course, essential. The less time the society requires to produce wheat, cattle etc., the more time it wins for other production, material or mental. Just as in the case of an individual, the multiplicity of its development, its enjoyment and its activity depends on economization of time. Economy of time, to this all economy ultimately reduces itself. Society likewise has to distribute its time in a purposeful way, in order to achieve a production adequate to its overall needs; just as the individual has to distribute his time correctly in order to achieve knowledge in proper proportions or in order to satisfy the various demands on his activity. Thus, economy of time, along with the planned distribution of labour time among the various branches of production, remains the first economic law on the basis of communal production. It becomes law, there, to an even higher degree. However, this is essentially different from a

measurement of exchange values (labour or products) by labour time. 57

Marx did not see this “economy of time” as identical with the law of value, because the law of value most definitely does not represent any conscious measuring. This is the fundamental error in Dauvé’s characterization of the GIC as advocating the rule of value.

Conclusion

We have seen why Marx critiqued the labor-money schemes from his own writings, as well as the importance that he placed on labor-time accounting in a communist society. The critique of the communist “management of the economy” is bankrupt, insofar as it relies on Marx’s theory (and Dauvé offers no practical argumentation other than this). This critique pushes people away from seriously considering the question of the economic viability of a socialist society by encouraging glib dismissals of “self-management” as embodying some sort of capitalist program. Furthermore, opposition to self-management obscures the fact that a new relation of the worker to work is in fact essential to socialism. If the critique of self-management was based on any evidence that the council communists advocated independent enterprises that

exchanged with each other on the market, there would be some substance to it. As it is, Dauvé's use of the words "wage labour," "law of value," and "capitalism," is nothing more than an unfortunate rhetorical flourish.

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1. Serge Bricianer, *Pannekoek and the Workers' Councils* (St. Louis: Telos Press, 1978) p. 289.
 2. See "Bring Out Your Dead," *Endnotes 1*. [Available online: <http://endnotes.org.uk/articles/8>]
 3. Jean Barrot and Francois Martin, *Eclipse and Re-Emergence of the Communist Movement* (Detroit: Black & Red, 1974) p. 105.
 4. *Ibid.*, p. 123.
 5. *Ibid.*, pp. 123-124
 6. Paresh Chattopadhyay, "The Economic Content of Socialism: Marx vs. Lenin," in *Review of Radical Political Economics*, vol. 24, nos. 3&4, p. 91.
 7. Karl Marx, "Critique of the Gotha Programme," in *Later Political Writings* (Cambridge: Cambridge UP, 2010) p. 222.
 8. *Ibid.*, p. 215.
 9. *Ibid.*, p. 213.
 10. Ted McGlone and Andrew Kliman, "The Duality of Labour," in *The New Value Controversy and the Foundations of Economics* (Cheltenham: Edward Elgar Publishing, 2004) p. 145.
 11. Marx, "Critique of the Gotha Programme," p. 213. In the *Grundrisse*, Marx writes that under communal production there "would not be an exchange of exchange values but [rather an exchange] of activities," and that

“the exchange of products would in no way be the *medium* by which the participation of the individual in general production is mediated.” Karl Marx, *Grundrisse* (London: Penguin, 1993) p. 171. I will leave Engels out of the following discussion, but it is worth taking note of Engels’ description of directly social labor in the context of labor-time accounting: “From the moment when society enters into possession of the means of production and uses them in direct association for production, the labour of each individual, however varied its specifically useful character may be, is immediately and directly social labour. The quantity of social labour contained in a product has then no need to be established in a roundabout way; daily experience shows in a direct way how much of it is required on the average. Society can simply calculate how many hours of labour are contained in a steam-engine, a bushel of wheat of the last harvest, or a hundred square yards of cloth of a certain quality. It could therefore never occur to it still to express the quantity of labour put into the products, which it will then know directly and in its absolute amount in a third product, and moreover in a measure which is only relative, fluctuating, inadequate, though formerly unavoidable for lack of a better, and not in its natural, adequate and absolute measure, *time*.... People will be able to manage everything very simply,

without the intervention of the famous ‘value.’” Frederick Engels, *Herr Eugen Dühring’s Revolution in Science* (New York: International Publishers, 1939) p. 345-6.

12. Karl Marx, *Capital: Volume I* (London: Penguin, 1990) p. 175.

13. *Ibid.*, p. 173.

14. Barrot and Martin, *Eclipse and Re-Emergence of the Communist Movement*, p. 104.

15. See “What is Communism,” *International Council Correspondence* 1, no. 1 (1934), and “Communist Production and Distribution,” *Living Marxism* 4, no. 4 (1938).

16. <http://www.marxists.org/subject/left-wing/gik/1930/index.htm>. “Although not formally published until 1930, the *Grundprinzipien* evolved out of a document Jan Appel had written while imprisoned in Germany during 1923-1925. Through a systematic study of Marx’s writings, Appel sought to investigate the main problems in creating a new socialist society. Appel’s principal concern was with providing a theoretical framework for resolving what he felt were the two key questions arising out of the experiences of the Russian and German revolutions: 1) What economic conditions are necessary for the abolition of exploitation? 2) What are the political and economic conditions that will allow the proletariat to maintain power once it has been won?”

Following Appel's arrival in Holland, the manuscript was revised by Canne Meijer and presented to the group for several years of discussion and revision." John Gerber, *Anton Pannekoek and the Socialism of Workers' Self-Emancipation, 1873-1960* (Norwell, MA: Kluwer Academic Publishers, 1989) p. 166.

17.<http://www.marxists.org/subject/left-wing/gik/1930/09.htm>. The GIC writes of the calculation of labor-time: "Marx assumes this system of social book-keeping to be in general applicable to a production process in which labour is social; that is to say, it is equally applicable whether communism is still at an early stage of its development, or whether the principle 'From each according to his abilities, to each according to his needs' (the higher stage of communism) has already been achieved. In other words: the organisation of economic life may in the course of the various periods of development move through various stages, but the stable basis for all of them nevertheless remains the unit of average social labour-time." <http://www.marxists.org/subject/left-wing/gik/1930/01.htm#h4>

18. One rather strange critique of the GIC is provided by Philippe Bourrinet, who reproaches them for believing that "it would be immediately possible, as soon as the workers' councils had taken power in a given country, to

proceed to an evolved form of communism.” Phillipe Bourrinet, *The Dutch and German Communist Left* (London: Porcupine Press, 2001) p. 252.

19. The GIC writes that “Communist industrial life,” as they envision it, “knows nothing of the circulation of money and has no

market.” <http://www.marxists.org/subject/left-wing/gik/1930/13.htm>

20. <http://www.marxists.org/subject/left-wing/gik/1930/epilogue.htm#h3>

21. “Anarchism and the Spanish Revolution,” *International Council Correspondence* 3, no. 5&6 (1937), 22.

22. <http://www.marxists.org/subject/left-wing/gik/1930/04.htm#h3>

23. <http://www.marxists.org/subject/left-wing/gik/1930/01.htm#h4>

24. Barrot and Martin, *Eclipse and Re-Emergence of the Communist Movement*, pp. 123-124.

25. Denis Authier and Jean Barrot, *La Gauche Communiste en Allemagne, 1918-1921* (Paris: Payot, 1976) p. 227. [See English translation

online: <http://www.marxists.org/subject/germany-1918-23/dauve-authier/appendix1.htm#h7>]

26. “That the quantity of labour embodied in a commodity is the quantity *socially necessary* for its production—the labour-time being thus *necessary labour-time*—is a

definition which concerns only the *magnitude of value*. But the labour which constitutes the substance of value is not only uniform, simple, average labour; it is the labour of a private individual represented in a definite product.” Karl Marx, *Theories of Surplus Value*, Book III (Amherst: Prometheus, 2000) p. 135.

27. Barrot and Martin, *Eclipse and Re-Emergence of the Communist Movement*, p. 116.

28. Anton Pannekoek, *Workers' Councils* (Oakland: AK Press, 2003) pp. 23-27. [Available online: <http://www.marxists.org/archive/pannekoek/1947/workers-councils.htm#h7>]

29. Marx, *Theories of Surplus Value*, Book III, p. 129.

30. Barrot and Martin, *Eclipse and Re-Emergence of the Communist Movement*, p. 104.

31. Karl Marx, *A Contribution to the Critique of Political Economy* (New York: International Publishers, 1970), p. 86.

32. Karl Marx, *Early Writings* (New York: Vintage, 1975), p. 261.

33. Karl Marx, *The Poverty of Philosophy* (New York: International Publishers, 1992) p. 59.

34. Marx, *Grundrisse*, p. 160.

35. Karl Marx, “Reflections,” in Karl Marx and Friedrich Engels, *Collected Works*, Vol. 10 (New York: International Publishers, 1978) p. 588.

36. "How many nails is a pair of shoes worth? If we can solve this appalling problem, we shall have the key to [the] social system which humanity has sought for six thousand years." Pierre-Joseph Proudhon, *What is Property?* (Cambridge: Cambridge UP, 2007) p. 106.
37. Karl Marx, "'Notes' on Adolph Wagner," in *Later Political Writings*, p. 255.
38. Marx, *Grundrisse*, p. 138.
39. *Ibid.*, p. 126.
40. Marx, *Capital: Volume I*, p. 140.
41. *Ibid.*, p. 161.
42. Marx, *Grundrisse*, p. 155-6.
43. Marx, *A Contribution to the Critique of Political Economy*, p. 85.
44. Marx, *Grundrisse*, p. 122.
45. Quoted in Alfredo Saad-Filho, "Labor, Money, and 'Labour-Money': A Review of Marx's Critique of John Gray's Monetary Analysis," in *History of Political Economy*, vol. 25, no. 1, p. 67.
46. Marx, *Grundrisse*, p. 134.
47. Marx, *A Contribution to the Critique of Political Economy*, p. 70.
48. *Ibid.*, pp. 85-6.
49. Marx, *Capital: Volume I*, p. 139.
50. Karl Marx, "The Value-Form," in *Capital & Class*, no. 4, p. 141.

51. *Ibid.*, 140.

52. Marx, *Capital: Volume I*, p. 188-9.

53. *Ibid.*, p. 170.

54. Marx, *Capital: Volume III* (London: Penguin, 1991) p. 1020.

55. Marx, *Capital: Volume I*, p. 171-2.

56. In Volume II of *Capital*, Marx again supports the compatibility of communist production and the use of labor certificates, writing, "With collective production, money capital is completely dispensed with. The society distributes labour-power and means of production between the various branches of industry. There is no reason why the producers should not receive paper tokens permitting them to withdraw an amount corresponding to their labour time from the social consumption stocks. But these tokens are not money; they do not circulate." Karl Marx, *Capital: Volume II* (London: Penguin, 1992) p. 434.

57. Marx, *Grundrisse*, pp. 172-3.