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The Logic Chopper Replies (the Final Word)

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Buick refuses to present any arguments in defence of Marxian economics, on the grounds that this is all boring old hat! But such a position is sheer bluff and bluster, since no one acquainted with these old debates could have the nerve to claim that Marx's theory emerged from its whipping with a wet nose and a wagging tail.

In my review I observed that the book by Buick and Crump broke little new ground. I gave as an example their treatment of Marxian value theory. By way of illustration, I then mentioned four classes of criticisms of the labour theory of value which went unmentioned by the authors. One of these classes of criticism was analytic Marxism. So I didn't chide Buick and Crump for ignoring the analytic Marxists. Neither did I want any analytic Marxism by way of a reply.

I pointed out that some Marxists have given up as hopeless the task of defending the labour theory of value as a price theory, and have instead taken the tack of defending the theory as something other than a price theory. If the theory is not a price theory at all, then it cannot be used to support conclusions which only a price theory can support (such as the contention that interest comes from 'unpaid labour'). If the theory has virtues other than that of a price theory, but is claimed to be also a price theory, then it still contradicts alternative price theories, and therefore has to be compared with those other theories for scientific merit. As an instance of this comparison I gave the problem of the valuation of joint products, which is readily explained by the Austrian or neoclassical theories, but is troublesome for the Marxian theory. I confess that I do have other arguments I can 'trot out' - and which Buick might also find too boring to answer. The problem of joint products is not broached by Böhm-Bawerk, in his critique of Marx, not by Hilferding, in his reply, nor by Boudin. I did not mention the main problem they discuss: the transformation problem. Recent literature on the transformation problem shows that it is insoluble, just as Böhm-Bawerk claimed. So it is a trifle disingenuous of Buick, however *ennuyeux* he may find such tiresome pests as logic, truth, argument, theory, refutation, etc., to refer us to those god-awful hacks Hilfer- ding and Boudin. From my review Buick picks four statements he finds objectionable, and treats them to what he calls 'rigorous logical analysis'.

First statement

'The need for a price system arises from the need to choose how to allocate resources, where one use competes with other uses.'

Buick has misunderstood this statement by overlooking its context. That context was my attempt to make clear in what sense the need for a price system arises from scarcity.

I did not claim that the existence of a need to choose how to allocate resources, etc., guarantees the existence of a price system in all societies. I agree that there have been some societies without price systems (that is, without markets), though these have always been small, isolated, and primitive. When I wrote of the 'need' for a price system,. I was implicitly assuming a minimum level of population and output per head. I agree that a total world population of a few hundred thousand could survive at pre-Stone Age living standards, without a market.

I do not agree, though I don't think it's very important, that 'for most of the time that humans have been in existence' they have done without the price system. No evidence exists for this assertion. We do know that the first high civilization, Sumer, was based on markets and private property in virtually all kinds of resources (For example see S.N. Kramer, *The Sumerians*, Chicago, 1963), and we know that extensive markets pre-dated Sumer. We know that markets have been important in Europe at least since Neolithic times. It is conceivable that markets predated the appearance of *Homo sapiens*, and may even have played a major role in precipitating that appearance. What we can say with assurance, on the basis of the historical evidence, is that, whenever humans have moved beyond an existence of scattered, tiny bands of scavengers, they have always relied on the market to some degree.

Buick reformulates my position as: 'The price system is needed where most resources are available in insufficient supply to meet all the uses to which humans want to put them.' He prefers to exclude the formulation 'conceivably might want to put them', confining 'wants' to those wants currently manifested. disagree. There are many wants, hence uses, which humans would obviously and speedily develop if it were, at all feasible to satisfy them. A century ago most people did not 'want' telephones or cameras in any active sense of 'want'. Still, it was true a hundred - or a thousand - years ago that if someone had been able to offer telephones or cameras cheaply enough, many people would have wanted them. Nobody now wastes his time 'wanting' a car that could take him safely to the Moon or to the bottom of the ocean, but millions of people would certainly want one if it were available cheaply enough. As output rises, some old wants are satisfied and new ones naturally arise. Thus, it would be myopic to confine human wants to wants that humans currently manifest in their behaviour. (I don't intend to distance myself from the proposition that wants are potentially infinite, the denial of which is equivalent to the proposition that humans could reach a position where they would be unable to conceive of any improvement. But I think discussion of such a proposition would be supererogatory here, since potential wants could be finite, yet still he very large in relation to any resources that are likely to be available before the Sun bums out. So this weaker claim is all I need in this context.)

Despite this, I also maintain the narrower position that the price system is needed now because resources are available in insufficient supply to meet all the uses to which humans now want to put them. As a rough indication of the scale of the problem, note that average incomes in the UK are immensely higher than in the world as a whole, and average incomes in Switzerland are appreciably higher than in the UK. Yet if we look at the Swiss, we observe that they still want more. There is no sign, even in the nicest suburbs of Zurich, that the wants of the Swiss are levelling off, that they are approaching a point where they will cease to hanker for additional improvements. It could be a century or more before the whole world attains the average income levels of the Swiss, and we have no evidence to suggest that when that time arrives, people will cease to want more.

Traditionally, breathable air was a good example of a free good which did not require, to be rationed by price. That situation has now come to an end, since many human productive activities reduce, or risk reducing, air quality, and at the same time many people's incomes have risen to the point where they pay more attention to luxury goods like clean air. Thus a market will develop in rights to dispose of the air. The same thing is true of the oceans: a thousand years ago people, could he permitted to dump whatever they liked into the ocean since such dumping was bound to be small in relation to the oceans' capacity to absorb it without appreciable harm. Now this has ceased to he the case, and rationing of dumping rights in the oceans, by and through the price system, cannot be long postponed without serious damage.

B&C could be taking the position that there is some alternative to the price system, for the task of performing allocation of resources, or they could be taking the position that this task is unnecessary - no allocation of resources is any longer required. Both positions cannot be simultaneously maintained, but Buick is still equivocating between them.

Steel (for example) is used in the making of millions of different kinds of objects, some of them consumer - like TV sets or lamps, some of them capital goods like cranes and machine tools. Steel has to be allocated through the price system no other system is known to humankind (especially since Buick has now withdrawn his 'points system'). Why is this? For three main reasons: 1. There are many different uses for steel. 2. Steel is scarce; it does not rain out of the sky in the form of high-quality ingots, much less sheets and tubes right at the places where it's needed. 3. Information is costly. (Point 3 is the most interesting, but it has no importance if points 1 and 2 are not true.) The result of points 1 and 2 is that a decision to use more steel in one application leads inescapably to one or both of the following consequences: a. using less steel in other applications; or b. shifting more of society's resources into the production of steel (thus reducing the production of other things). In other words, using a ton of steel has a cost. The cost arises because steel is scarce - in the special sense of economic theory. If steel were not scarce, the use of steel would be costless. it would be possible to use steel for one purpose without reducing the amount of steel available for other purposes.

A mental experiment that can be used to test whether steel is really scarce (in the technical sense,) is the following. Suppose that humankind were to he offered, gratuitously, a quantity of high-grade steel, conveniently located, with no strings attached. Would it make sense for society to accept the present, that is, use this new, free steel? Or would this be pointless, because society already had more steel than it could think of a use for? Only in the latter case would steel not be 'scarce' (in the special, technical sense of economic theory).

Today there are many thousands of uses for steel which are not implemented because steel is too costly. If we were given a large quantity of steel as a present, or if many spectacular discoveries in iron extraction and processing were to be made, then steel would become far less costly, and many uses for steel which are now merely potential would become actual, with the result that other materials now used as substitutes for steel would also become cheaper, being released for other uses. This transition would he co-ordinated by the market through a lower price for steel, its products, and its substitutes, and a higher price for its complements.

A situation of 'no-scarcity' for steel would be reflected in a price of zero per ton of steel. Producers would then be able to use as much steel as they liked, without considering the cost. In this circumstance, using a million tons of steel to crack a single nut would he efficient. All those engaged in the administration of production would be freed from any pressure to control the quantity of steel used.

Buick suggests that resources (such as steel) are 'at the present time, or could … become so in the near future ... available in sufficient supply to meet the uses to which human will in practice want to put them to satisfy their needs'. Now, this claim is elusive, because the uses to which humans in practice want to put steel are limited by the fact that the price of steel is higher than zero. If we imagine that limitation removed, with people left free to allocate steel to any uses that seem good to them, on the assumption of a zero cost - then the world output of steel would have to be expanded, on a conservative estimate, hundreds of times over. In order to generate this output of steel, resources would have to be withdrawn from production of other things-almost all other things - to produce steel. Output of these other things would fall dramatically, and humanity would be spending most of its resources producing steel. There would be terrible misallocation: people would become much worse off, an outcome which could be reversed by re-introducing a price for steel.

Buick quotes my remark about providing everyone in the world with a tolerably decent life as conceived by a couple of Englishmen in the 1980s, and he seems to acknowledge that this is the maximum extent of his claim about the end of scarcity. But he doesn't answer my point that the maintenance of this standard of living continues to require market prices to guide the allocation of scarce factors. He continues to vacillate between two quite different conceptions of scarcity. (Also, of course, he ignores the ironic point of my 'facetious' remark: that a century from now, in all probability, people will regard B&C's conception of a tolerably decent life as unacceptable squalor, and people who think like B&C, if there are any of them left, will denounce capitalism because it condemns some people to live in such squalor.)

Is it Buick's position that steel now has a zero price? Or that it will have 'in the near future'? Or is it perhaps his claim that the market price tells us nothing about scarcity-in which case, perhaps he will tell us where the missing billions of tons of steel are so cleverly hidden? Ultimately, Buick has to reject each of these three fanciful positions, and embrace the only alternative: that the price of steel does indicate its scarcity, and that a hypothetical socialist society, in the absence of prices, would have to arrive at some method other than prices to gauge and compare the costs of steel and thousands of other factors, in order to produce at least cost. In that case, I want to know if Buick has any idea what that no-price method of costing is, and if so, if he will please tell us, so that we can consider whether it might work.

Buick does accept that some factors, like land, require allocation between competing uses, and therefore require some measure of cost, but he seems to believed that these are unusual exceptions. In fact what Buick acknowledges with respect to land is true of millions of factors, including raw materials, energy sources, buildings, transportation systems, machines, and all the thousands of different kinds of labour. All these millions of factors must be measured by the same units of cost, so that aggregates of numerous different kinds of factors can be compared for cost.

I accept 'as a theoretical possibility' that society could do without the price system – that's to say, in a world where thing are completely other than they in fact are. Similarly, it's a theoretical possibility that we might all live for ever, as the socialist Godwin held, or that if you have the right frame of mind during lovemaking you will produce better children, as the socialist Morris held. Anything imaginable is a theoretical possibility, given the appropriate assumptions. If all the things we wanted sprang into existence because we wished for them, without any need to organize production, then the price system would be unnecessary. If someone were to expound a viable alternative to the price system, that too would demonstrate the possibility that society could do without prices. Buick avoids committing himself on the issue I posed in my review: I pointed out that there is a difference between 1. claiming that resources exist sufficient to provide everyone with a tolerably decent life, assuming those resources can be efficiently deployed, and 2. chiming that resources no longer need to be efficiently deployed, because they are no longer scarce. Much of Buick's argument only has any point if he favours 2., but every now and then he lapses into 1., as though there were no difference. If Buick favours 1., then he needs to tell us some allocational system other than the system of market prices. If he favours 2., then he can dispense with any such system, but he needs to supply evidence that desired goods and services will appear without any need for assessment of costs.

Second statement

'Advanced industry cannot operate without an automatic signalling system to inform producers of the ever-changing costs of using resources.'

This statement implies that advanced industry cannot operate without ever-changing costs of using resources. Buick says that this is erroneous. He claims that socialism will soon become a steady-state economy in which things will go on repeating themselves indefinitely.

Buick implicitly recognizes that socialism cannot work if it has to provide for a great deal of adjustment to changing conditions, and that the only hope for socialism therefore lies in escaping from the need for most of the changes which occur ceaselessly today. Even if Buick were right about this, he would seem to be left with a small problem, for he says that the 'steady-state economy' - will 'perhaps' not be attained for a decade or two after the establishment of socialism. But in that case he seems to accept the possible need for some automatic signalling system in the first 20 years of socialism. So the question still arises. If not market prices, then what? Furthermore, there is no 'perhaps' about it, since the market shows not the slightest tendency to approach such a steady-state economy, and even though socialists disagree among themselves on technology and lifestyles under socialism (some favour nuclear fusion while others want to go back to candles), one thing they are all agreed upon is that socialism will mean big changes in production and consumption: different things will be produced, in different ways. So a tremendous amount of change would be generated by the introduction of socialism itself (a point made by Mises in 1920).

Buick fails to distinguish two imaginable scenarios: 1. The quantity of output levels off and ceases to grow. 2. The precise operations (methods of production in the most specific sense) are fixed and never change, merely being repeated from day to day forever. 1. is imaginable with or without 2. 2. would entail 1., but would additionally require far more restrictive conditions. I maintain that while 1. is highly unlikely, 2. is not remotely feasible.

To bring out the difference between Scenarios 1. and 2., suppose that there is some mineral which has to be extracted from the Earth's crust and is gradually used up (oil, coal, or asphalt would be examples). There need be no danger that the mineral will ever be completely exhausted (this seems to be the case with oil - for practical human purposes, it is inexhaustible). But it may be that, as the mineral is used up, less rich or less accessible deposits will have to be tapped. This means that production costs of that mineral will rise, unless the greater difficulty of extraction is compensated, or more than compensated, by other developments, which may, for example, consist of a cheapening of the resources used for extraction, or of technological innovation leading to more efficient extraction. Alternatively, production costs of that mineral could indeed rise, but it could be that in a quite different industry, costs are falling due to some independent development, so that total social output does not fall.

We can imagine that these compensating tendencies might just happen to cancel out the effect of the using-up of the mineral deposits, so that total output would he unchanged. This could conceivably lead to Scenario 1: a levelling-off of the total volume of output. But price adjustments would still be just as necessary as they are today. For instance, technological innovation in mineral extraction would change the mix of inputs into the extractive process, so that a new least-cost combination would have to be discovered, and the prices of those inputs would consequently change, so that adjustments would have to be made in all the other uses of those inputs.

But for Scenario 2., it is required that there be no such cases of using-up of mineral deposits, or any other 'disturbing' changes that have to be adjusted to. Nothing must ever change. It's clear that, if 1. is highly unlikely, 2. is out of the question. Of course, Buick doesn't claim that 2. could appear: he states that 'technical research would continue and this would no doubt result in costs being able to be saved. So he seems to have 1. in mind, not 2. But 2. is necessary to support his conclusion. In the absence of 2., Buick's 'steady state' would continue to rely upon adjustments and searches for least-cost combinations of inputs. There would continue to be ever-changing costs of using resources. Hence a price system - or Buick's mysterious alternative - remains necessary.

Third statement

'All characteristics of the market flow from the interaction of mutually autonomous traders. Without this autonomy, nothing of the market exists.'

I made this statement while discussing B&C's assertion that the Soviet planners 'plan market transactions between enterprises'. I pointed out that if these transactions are planned from the center, they are not market transactions.

If the state intervenes in the market, this does not necessarily abolish the market, nor does it necessarily abolish the autonomy of the traders. It curbs and restricts the scope of that autonomy, but the traders remain able to make many decisions independently. The market usually survives. Of course, state intervention might go so far as to destroy that autonomy completely, in which case it really would destroy the market.

Virtually all state intervention reduces the efficiency of the market economy and impoverishes the population, but it does not usually destroy the market. Sufficient freedom of action remains to the participants for them to trade, and therefore for the market and the price system to exist, though the price signals will be less accurate than if the state had not intervened. For example, if the state imposes a tax on alcoholic drinks, this raises the costs of producing those drinks, and therefore raises the prices of those drinks, reducing the quantity purchased, which in turn reduces the quantity produced, and increasing the quantity of other goods produced. But this insolent and injurious meddling still leaves a broad range of freedom of action for the alcoholic beverage producers; they are free to change prices, to change the nature and quality of the product, and so forth. And the purchasers are free to buy or not to buy various alcoholic products.

Comprehensive price controls, if they could be made to work in the way they are sometimes described, would indeed destroy the market, by destroying the autonomy of the traders. In fact, these controls usually apply to some products only, and the effects are moderated by illegal deals, surreptitious changes in quality, and so forth. In some extreme cases (Russia in 1918-1921 or Cuba in the 1960s), it may be touch and go whether the market survives in hampered form, whether it ceases to exist leading to industrial collapse and starvation.

In analysing the Soviet system, one cannot have it both ways. To the extent that the center actually tells the state enterprises what to do, the state enterprises are not deciding for themselves what to do. It is, of course, quite intelligible to say that there is a surviving market which operates within the boundaries imposed by state intervention, and that state intervention therefore modifies the outcome of the market. But to claim that the state planners 'plan market transactions between enterprises' is incoherent.

Suppose that a market transaction is acted out as part of a play. One actor gives another actor a hat, and the other actor gives the first actor a sum of money, declaring that this is payment for the hat. This is the theatrical depiction of a market transaction. It looks like a market transaction, but it is not a market transaction, because the two actors are following a script.

Or suppose that I am a slave-owner, and 1 tell one of my slaves to hand over a bale of cotton to another of my slaves, whom I instruct to hand to the first slave a sum of money. A superficial observer of these two slaves' actions might suppose they are conducting a market transaction, but in reality there is no market transaction here, because both slaves are following my orders. The whole 'exchange' is part of my prearranged plan.

It is essential to any market transaction that both parties have some degree of autonomy, or freedom of decision. Because of this autonomy of the traders, the outcome of a market transaction is always the result of the interaction of two minds, rather as, say, a game of poker is always the outcome of the interaction of two or more minds. A 'game of poker' in which all the 'players' are following someone's instructions is an enactment or a simulation of a game of poker; it is not a genuine game of poker, any more than TV wrestling is a competitive sport.

It's possible to argue a. (as Michael Polanyi did) that Russian state enterprises trade, and that central planning is a sham, and it's possible to argue b. that the center tells the enterprises what to do, and that the apparent inter-enterprise trading is a sham. It's also possible to argue c. that the center gives some directions which constrain the actions of the enterprises, while the enterprises retain some autonomy, and are therefore free to trade, within limits. But it is just a muddle to claim d. (as Bettelheim, and Chavance, and following them, Buick and Crump do) that the center plans the market transactions between enterprises.

I hold that d. is merely confused, but I also hold that b. is merely naive, for the center cannot know what is going on in all the enterprises. No one - no individual or group of individuals - can possibly know enough to determine the shape and composition of an industrial economy. Hence, society-wide planning, what Marx called 'conscious social control', is an impossibility.

Of course the system which emerged in Russia in the 1920s and still prevails there is a 'state-regulated market system', as is the somewhat different system which prevails today in Western Europe and North America. I didn't suppose that so broad a truism was in dispute.

On a minor point, I'm sure Buick would want to withdraw his hasty remark that 'States have always interfered in the trading process, if only through taxes'. History and social anthropology supply numerous examples of stateless societies within which trade has occurred. I can trot out some examples with citations if provoked.

Fourth Statement

'The state can get capital only by taking it from individuals'.

The context of this statement was my discussion of B&C's theory that 'state-capitalist' revolutions have replaced 'bourgeois' revolutions because state-capitalist regimes can better accumulate 'immense quantities of capital' in order to catch up with the advanced countries. B&C claimed that the task of accumulating these immense quantities of capital is 'beyond the capability of a class of individually-organized private capitalists operating independently of the state'. Presumably they also hold that it is beyond the capacity of a class of individually-organized private capitalists operating in cahoots with the state, otherwise their argument would have no force in showing why state capitalism of the Bolshevik sort was required.

The question is this: can the state accumulate bigger quantities of capital than private capitalists? I say that it cannot, and in that context I made the statement that Buick now disputes. Buick ignores the key issue: he does not trouble to explain by what magic the state can accumulate more capital than private capitalists!

The nub of Buick's criticism seems to be that if 'the State is itself engaged in productive activity' then it can accumulate capital without taking it from outside individuals, because the individuals producing the accumulated capital are themselves part of the state.

But the state is still taking capital from the individuals who produce it. Calling them state employees does not materially affect this point. They are still coerced by the state into yielding up some of what they have produced, instead of conducting uncoerced exchanges in the free market.

In any case, my main point has not even been addressed by Buick. The state cannot accumulate greater amounts of capital than private capitalists can. Leaving aside the question of the lower efficiency of state enterprises, putting a private firm into state ownership does not enable that firm to produce more capital, and the same applies to putting many private firms into state ownership. The state can, of course, bring together a large amount of capital into a single venture, but so can the normal operations of financial markets.

(In order to avoid misunderstanding, I add two points. 1. The state can, with or without nationalization, cause larger amounts of capital to be concentrated in single organization units - enterprises or corporations - than would have appeared on the free market. But that does not increase the social stock of capital; it merely puts it into inefficiently large units of control. Since the size of organizational unit has been raised above the optimal, which can only be discovered in the free market, it's probable that there will be a subsequent reduction in the output of capital.

2. It is conceivable that the state could take measures to increase the stock of capital, by punishing the enjoyment of leisure or by encouraging investment. This would not he desirable, since it would be imposing upon people a different 'leisure/consumer goods' valuation or a different 'goods sooner/goods later' valuation than they would have freely chosen. It's unlikely that any government would do this with such accuracy, unaccompanied by other injurious measures, that output would not in fact fall. But if any government did, it would certainly have to avoid nationalizing industry, and thus reducing output that way. So this hypothetical possibility doesn't contradict my main point that, merely by bringing industry under state ownership, nothing thereby enables a larger quantity of capital to be generated.)

One final word

'Although B&C purport to maintain a posture of even-banded condemnation of state capitalism and private capitalism, they actually manifest a pronounced bias in favour of state capitalism because they accept the reasons that have been given by its apologists for its existence, and they fail to recognize that state capitalism is comparatively inefficient.'

I'm sorry that my old friend Adam Buick feels insulted because I wrote this sentence: I still believe it is fair, accurate, and amply borne out by what he and Crump say in their book. Notice that I didn't deduce this conclusion from B&C's 'defence of the meaningfulness of the concept of state capitalism'. I deduced it solely from what they say about the advantages of state capitalism in their book. (They clearly take the position that Bolshevism is superior to the bourgeoisie when it comes to expanding production in late-developing countries in the twentieth century, and that this superiority explains the rise of Bolshevism See especially pages 43-45 of their book.)

Buick complains.. 'I have spent virtually the whole of my political life opposing state capitalism and denying that it has anything to do with socialism or is in any way better [or worse-DRS] than private capitalism.' But my review pointed out that B&C do not claim that state capitalism is a form of socialism, and that they 'purport' to condemn it equally with private capitalism. So he can't say that he has been misrepresented.

As for denying that state capitalism is in any way better, maybe Buick did not think it is 'in any way better' to be able to speed up development in backward countries by accumulating immense quantities of capital, but most of his readers would think it better. And surely, comparing the condition of a typical worker in Los Angeles with his counterpart in Mombassa or Bucharest, we would have to agree that these readers would be right.

In any case, Buick will not take the step of acknowledging, even in his reply above, that state capitalism is far worse than private capitalism. To say that one has always denied that a concentration camp is any better than a holiday camp is only to confirm the suspicion that one has a soft spot for the concentration camp. What we want to bear is for Buick to admit that state capitalism is a thousand times worse than private capitalism, that the working-class is enormously better off under private than under state capitalism and therefore ought rationally to support the overthrow of state capitalism and its replacement by a freer form of market economy, as is now occurring in Eastern Europe and much of the world. But, unless Buick has recently changed his views in ways that I haven't heard about, he is still telling the workers of Eastern Europe that they are mistaken to expect that the sweeping away of Bolshevik nationalization will improve their prospects.

I wasn't commenting on Buick's innermost psyche or on his political record, but on what he says in this particular book. But if I may be allowed to conjecture his motives, I suppose his bias in favour of state capitalism arises from three sources: 1. He underrates the socially beneficial role of market adjustments, and therefore tends to mininize the harmful consequences of suppressing them; 2. His political outlook makes him want to minimize the differences between different forms of 'capitalism', since if these differences are in fact enormous, it becomes indefensible to refuse (as Buick does) to support the move from one form to another; 3. His adherence to the doctrine of historical materialism makes it awkward for him to acknowledge that a vast revolutionary cataclysm like Bolshevism can he disaster and retrogression, resulting from fallacious ideas.

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