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State Capitalism**

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**Wage Labour and State Capitalism:
a reply to Peter Binns and Mike
Haynes**

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An otherwise excellent [critique of “exceptionalist” analyses of the eastern bloc](#) by Peter Binns and Mike Haynes in a recent issue of **International Socialism** [1] was vitiated by the authors’ acceptance of the proposition that “wage-labour is not necessary to capital” (p. 29). Their reason for giving this enormous hostage to fortune seems to be a belief that “wage-labour in Marx’s sense of the word” does not exist in the Soviet Union (p. 47). Since Peter and Mike (or, as I shall call them from now on for the sake of convenience, BH) also believe that country to be state-capitalist, they must, for the sake of consistency, deny any essential connection between wage-labour and the capitalist mode of production.

On the face of it, this assertion flies in the face of Marx’s most explicit statements. For example: “*Capital presupposes wage-labour; wage-labour presupposes capital. They reciprocally condition each other; they reciprocally bring forth each other.*” [2] The classical marxist view on this matter was restated with great force and authority by Duncan Hallas [in a subsequent issue](#)

of IS. [3] Here I shall merely try to provide some detailed arguments in support of this view, and to show that BH's arguments involve a number of serious confusions acceptance of which would vitiate Marx's account of historical development in general and of capitalism in particular. I shall also argue, in support of Duncan and against both BH and the "exceptionalists" that it is through the wage-form that surplus-labour is extracted from the direct producers in the USSR and other state-capitalist countries.

Wage-labour and capital

To understand why wage-labour is a constitutive feature of the capitalist mode of production (CMP), let us first consider two other aspects of this form of social production. The first is that it is a system of generalised commodity production. This is nothing to do with whether or not perfect competition exists, i.e. a situation corresponding very approximately to 19th century British capitalism, where each branch of production is divided into a number of competing firms or individual producers none of which dominates that sector – so to argue, as BH seem to do when they distinguish between "simple commodity" and "capitalist" value-forms, is to confuse an essential characteristic of the CMP with a particular historical stage of its development.

A system of generalised commodity production is one in which no overall social control of production exists and the economy is divided into a number of competing units of production. It is immaterial whether the economy in question is a particular country or the entire world, or whether the unit of production is a family firm or a state capital – it is the division of the economy into producers related only by their rivalries that is definitive of generalised commodity production. Such a situation gives rise to the distinction between abstract social labour and concrete useful labour – work performed in such an economy

receives social validation, is recognised as meeting some social need, not by virtue of the particular utility of its product, but as a unit of *social* labour, irrespective of its specific qualities and skills. The reduction of concrete private labours to abstract social labour takes place through competition, which compels individual units of production to produce under conditions approximating at least to the average in that industry. Units producing in worse than average conditions find that every hour of labour they perform counts as less than an hour of the socially necessary labour in that industry, which, in normal circumstances, is set by the average conditions of production.

The process through which private labours are equalised as units of socially necessary labour-time provides the mechanism which gives rise to the second feature of the CMP I wish to emphasise. Competition compels individual units of production constantly to transform the labour-process through technical innovation. How this is so becomes clear once we grant that the individual units of production are *capitals*, based upon the purchase of the labour-power of the direct producers who are then compelled to work longer than is necessary to replace their wages and thereby produce surplus-value for their employers. Competition forces individual capitals to accumulate surplus-value, to re-invest it in expanded and improved production. A capital which fails to do so and thereby to match the innovations of its competitors will be undersold and eventually driven out of business or bought out by its more successful rivals. In this manner every capital in an industry is forced to try and match, or improve on, the levels of labour productivity of its competitors. It is thus that the average conditions of production come to set the standard for each individual capital, and that private labours carried out in different units of production are reduced to homogeneous units of socially necessary labour. The result is that aspect of the CMP on which Marx lays great stress, its tendency constantly to revolutionise the forces of production, as individual capitals are impelled by competition to seek new

methods for improving labour productivity and thereby crushing their rivals.

It is for these reasons – the competitive and dynamic character of capitalism – that the CMP is distinguished from other modes of production in that the rate of exploitation may be raised not merely by lengthening the working day (absolute surplus-value) but by lowering the cost of reproducing labour power through improved productivity (relative surplus-value). The production of relative surplus-value is bound up with the transformation of the labour-process, which cuts the portion of the working day devoted to replacing the value of labour-power either by reducing the value of wage-goods or by enabling the capital in question to sell goods above their individual value (what it cost to produce them) but below their social value (the average cost of producing commodities of this sort). It is bound up also with the distinctive laws of motion of the CMP. Technological innovation, in increasing the productivity of labour, also (other things being equal) increases the organic composition of capital and the size of the industrial reserve army. It thereby underlies the tendency of the rate of profit to fall and the fluctuations of the capitalist economy – the cycle of boom and slump which offsets this tendency and re-organises capital. [4]

What I shall argue is that the distinctive character of the CMP – competition, technological innovation, the production of relative surplus-value and the specific dynamic these impart to capitalist economies – are indissolubly linked to the existence of wage-labour. It is not enough to say that it involves the separation of the direct producers from the means of production – in one sense this is true of any class society. The distinction between wage-labour and the two other (class) modes of production which I shall discuss here, slavery and feudalism, is that the extraction of surplus-labour through the wage-form depends primarily on economic compulsion rather than physical coercion. The wage-labourer possesses no property other than his or her labour-power. To avoid starvation he or she must

exchange this sole possession with the capitalist in return for wages (which need not, incidentally, be in money but in kind [5]). The role of the wage-form goes further. Through variations in wage-rates for different jobs and in different areas it provides the mechanism through which labour-power is redistributed across the economy in accord with the needs of capital. Moreover, it serves as a means (in the form of piece-rate, bonus-schemes, fines etc.) to regulate the pace and quality of work and hence the rate of exploitation.

Compare slavery and feudalism. The slave does not even own his or her labour-power; he or she is reduced to the position of the means of production – *instrumentum vocale*, a tool that talks, as the Romans put it. The coercive power of the slaveowner was in principle (although hedged with some restrictions under the Roman Empire) unlimited. In the case of feudalism, while the direct producers exercised considerable control of the labour-process, the landowner's legal title, underpinned and enforced by his class's monopoly of violence, permitted him to force the peasants to devote a part of their working time to providing him with rent, whether in the form of labour-services, use-values or money. Of course, to deal with a point made by one of BH's authorities, Orlando Patterson [6], the contrast between economic compulsion and physical coercion is a relative one. The capitalists' monopoly of the means of production depends on another monopoly – that of the means of coercion, Engel's "special bodies of armed men" – while within the process of production workers are subject to what Marx called the "despotism" of capital. Yet it is not through these but through "the dull compulsion of economic relations" [7] – the choice between working and starving – that the sale of labour-power to capital is made possible.

The significance of the distinction between wage-labour and the other modes of appropriation of surplus-labour which I have just outlined is that it is because wage-labour involves a reliance primarily on economic compulsion that it is the only form

compatible with the two characteristics of the CMP referred to above. Marx himself demonstrates that slavery does not provide capital with the sort of labour-power appropriate to the constant transformations of the labour-process imposed on individual firms by competition. He argues that “the free worker’s work (is) more intensive, more continuous, more flexible and more skilled than that of the slave”. The reason is that “the slave works only under the spur of external fear but not for *his existence* even though it does not belong to him”. [8] The wage-form, and the variation in rates of pay which it makes possible, creates a direct relation between the quantity and quality of work performed and the level of the workers’ consumption, thereby giving him a direct interest in working harder and better. By contrast, “in the slave-system, the money-capital-invested in the purchase of labour-power plays the role of the money-form of fixed capital, which is gradually replaced as the active period of the slave’s life expires” [9]. If, then, a master allows a lazy slave to starve to death, he has lost a valuable investment – he has, therefore, an interest in keeping his slaves alive irrespective of how hard they work (although, of course, low slave prices will permit a more rapid “turnover of fixed capital” [10] – i.e. working the slaves to death. So, Marx concludes,

“in the eyes of the slave a minimal wage appears to be a constant quantity, independent of his work. For the free worker, however, the *value of his labour-power* and the average wage corresponding to it does not appear as something predestined, as something independent of his own labour and determined by the mere needs of his physical existence. The *average* for the class as a whole remains more or less *constant*, like the value of all commodities; but this is not how it immediately appears to the *individual* worker whose wages may stand above or below this minimum. The *price of labour* sometimes sinks below and sometimes rises above the *value of labour-power*. Furthermore, there is scope for variation (within narrow limits) to allow for the worker’s *individuality*, so that partly as between *different* trades, partly in the same one, we find that wages vary depending on the diligence, skill or strength of the worker, and to some extent on his actual personal

achievement. Thus the size of his wage-packet appears to vary in keeping with the results of his work and its individual quality.”

[11]

This argument, that only wage-labour is consistent with the revolutionisation of the productive forces characteristic of the CMP, has been generalised by the American marxist historian Robert Brenner in his studies of the transition from feudalism to capitalism:

“Where labour is organised by means of force exerted by the ruling class on the direct producers, the effectiveness of collecting labour for cooperation is muted because of the lack of interest of the direct producers in the productive process. Here, the existence of direct, non-market access of the direct producers to the means of subsistence – either in the immediate sense, as in serfdom where the producers possess their own plots, or indirectly, as in slavery where the slave-owners provide the slaves’ subsistence because the latter are their property – determines that force can only be of limited utility in affecting the quality and consistency of labour in connection with increasing, and increasingly complex, tools.” [12]

We shall return to Brenner below. His arguments are supported by Guy Bois, author of a major marxist study of feudalism, who argues that the predominance of small scale peasant production led to a long-term fall in the rate of seigneurial levy to which the landowners responded with increased repression. [13] The mode of appropriation of surplus-labour specific to feudalism – the extraction of rent sanctioned and enforced by the landowners’ monopoly of violence – ruled out the possibility of increasing the rate of exploitation through a mechanism comparable to that characteristic of relative surplus-value under the CMP, reducing labour-costs through technological innovation, since any such innovation would require complete removal of the serfs’ access to the means of production.

The constant transformation of the labour-process is intimately connected with the other feature of the CMP outlined above – the reduction of different concrete labours to abstract social labour as a result of competition. Technological

innovation involves (as we see only too clearly now) – the destruction of old industries and the creation of new ones. Labour is no longer a fixed set of activities (agriculture, mining, small-scale handicraft production) but a highly differentiated complex of particular labours bound together by competition and constantly changing under the impact of technological change. This situation requires a workforce that may be transferred from one branch of production to another, and from one type of work to another. Once again it is the wage-labourer who is uniquely adapted to this role.

Marx writes:

“The free worker is *in principle* ready and willing to accept every possible variation in his labour-power and activity which promises high rewards (as we can see from the way in which the surplus-population on the land constantly pours into the towns). Should the worker prove more or less incapable of this versatility he still regards it as open to the next generation, and the new generation of workers is infinitely distributable among, and adaptable to, new or expanding branches of industry.” [\[14\]](#)

The labour-market provides the mechanism through which labour-power is distributed across the economy in order to meet the changing needs of capital: the variation of wage-rates signals changes in the supply of and demand for workers in different sectors and areas, while the pool of unemployed generated by technological change provides one component of the industrial reserve army, ensuring that there is the “possibility of suddenly throwing in great masses of men into the decisive areas without doing any damage to the scale of production in other areas”. [\[15\]](#)

The adaptability of the wage-labourer is a consequence of the fact that he or she has no property other than his or her labour-power: with no access to the means of production workers are forced to sell their labour-power to capital, while the wage-structure moulds their capacities to suit the highly complex needs of the capitalist economy. Both serfdom and slavery were compatible only with a limited set of productive activities. Thus,

the large-scale use of slave-labour – plantation slavery – was appropriate only in the case of industries where the extensive use of unskilled labour was both necessary and (given low slave prices) profitable. Thus, according to Max Weber, whose discussion of slavery closely follows Marx's, the great slave *latifundia* in southern Italy under the late Roman republic and early empire (200 BC to AD 200) were made possible by the ready availability of cheap slaves thanks to Rome's wars of conquests and were confined to the production of cash-crops such as wine and olives. The staple, grain, was either imported or, "especially because of the Roman technique of row cultivation" which meant that grain production "needed very careful labour", left to tenant farmers. In ancient industry, bringing together many slaves was simply a particular disposition of property; the organisation and technology of production were not affected, and the slaves remained what they had been before, small-scale artisans who were used by a wealthy man as a source of rent or by an importer as processors of his raw materials. [16]

This is well illustrated by the case of Athens in the 4th and 5th centuries BC, where slaves were more frequently used in industry than in agriculture, often running their own workshops and merely paying their master a rent, more like industrial serfs or even free craftsmen than house slaves. The large-scale use of slaves in the silver mines of Laureion during the same period reflected the plentiful supply of cheap slaves provided by Athens' wars. [17]]Similar conditions – a ready supply of slaves, the need for unskilled labour to provide British factories with cotton – underpinned the slave economy of the *antebellum* American South, as we shall see below.

The feudal serf, like the slave, lacks the versatility of the wage-labourer. Bois underlines the narrow technical base of the labour-process under feudalism – the hegemony of small peasant production based on a household economy and confined to a set

of primarily agricultural tasks whose nature changed very little over the centuries. [18]

Moreover, even in the absence of formal legal requirements tying the peasant to the soil, his access to the means of production, however qualified by the landowner's legal title and the rights involved in it and coercive power underpinning it, deprived him of an incentive to leave the land, unless the size of his plot and/or seigniorial levies made it impossible to provide for himself and his family. It is precisely for this reason that Marx argued that the accumulation of capital presupposed the separation of the labourer from the means of production (although there are a variety of transitional forms in which peasants still owning some land function effectively as wage-labourers). Only in the case of wage-labour, then, is "labour ... not this or another labour, but *labour pure and simple*, abstract labour; absolutely indifferent to its particular *specificity*, but capable of all specificities". [19] Both slavery and serfdom are bound up with certain types of work and therefore lack the adaptability which is required of labour-power under the CMP.

The features of the CMP on which I have laid stress – the reduction of concrete to abstract labour under the pressure of competition and the constant revolutionisation of the forces of production – are intimately connected with capital's laws of motions. As we have seen, technological innovation impelled by competition causes the organic composition of capital to rise and therefore gives rise to the tendency of the rate of profit to fall and the phenomena of boom and slump. My argument, therefore, amounts to the claim that wage-labour is not a contingent feature of some capitalist social formations but is essential to the very dynamic of capitalism. Let us now consider some of the arguments to the contrary.

Production and circulation

BH write that “wage-labour is a phenomenon that combines two elements that are conceptually quite distinct: the production of surpluses and the valorisation of these surpluses is the form of surplus-value”. These two processes are, they argue, “separable not only in logic but also in time and space”. A couple of examples are cited to support this case – “19th century American slavery and 18th century Russian serfdom, neither of which Marx doubted to be (partially or wholly) capitalist or surplus-value producing” (p. 46).

There are a number of peculiarities about this argument. One is a rather odd use of the term “valorisation”, introduced in the Pelican edition of **Capital** to translate “*Verwertung*”. This is a case where Ben Fowkes’s otherwise excellent translation is inferior to that of his predecessors. Moore and Aveling offer a happier rendering of “*Verwertung*” as “self-expansion”. Whatever the translation, “*Verwertung*” is used by Marx to refer to the process through which labour-power is set to work by capital to produce value in excess of that required to replace its own value, thus creating surplus-value and providing capital with a profit. This is the secret of the self-expansion of capital, the apparently mysterious process through which a sum of money is transformed into a larger sum, M into M'. It is the specific form through which surplus-labour is extracted from the direct producers under the CMP.

Now, what is relevant from our point of view, is that *Verwertung* is characteristic of the process of *production* – on a number of occasions Marx refers to the capitalist process of production as the unity of the labour-process (production of use-values) and of the valorisation, or self-expansion process (production of value and surplus-value). [20] The process of production, is the subject of [Capital, Volume 1](#), and Marx makes it amply clear that the self-expansion of capital is something that occurs prior to the circulation of commodities – value and surplus-value are created within the process of production yet only realised within the process of circulation. Yet look how BH

use the term – valorisation (self-expansion) “is the process in which the various qualitatively different labouring activities are reduced to their common substance: labour time” (p. 48). For them, valorisation is what Marx calls the process of equalisation of private labours into abstract social labour.

This is more than a mere difference in terminology. BH’s new usage reflects a shift which characterises their whole approach – a shift from the sphere of production to that of circulation. For the equalisation of private labours occurs in the process of competition – to take the case of private or quasi-private capitalism, it is through the exchange of commodities on the market that the private labours involved in producing these use-values are validated as so much abstract social labour. Equalisation pertains, then, to the process of *circulation*. Of course, this process is presupposed by Marx in his analysis of the capitalist process of production – it is only in the case of the fragmentation of the economy into different competing units of production that production within such units is the production of *value*. That is why **Capital** begins with a discussion of commodities and money. But production nevertheless takes priority for Marx over circulation, for two reasons. First, commodities must be produced before they are sold, and it is the conditions of their production which determines their exchange-ratios. Second, the equalisation of private labours necessitates, for reasons discussed in the previous section, a particular mode of appropriation of surplus-labour, namely wage-labour.

BH’s shift in their definition of “valorisation” from production to circulation leads them effectively to argue that mere inclusion in a competitive world economy suffices to characterise a social formation as capitalist. This presupposes that the connection between mode of surplus-extraction and mode of production is a contingent one, although BH do not argue this explicitly. An article by the Indian marxist Jairus Banaji which might be interpreted as doing so, in fact argues against any too narrow identification of a mode of production with particular categories

of surplus-extraction, so that where there is slavery there must be the slave mode of production. A mode of production is characterised by a specific dynamic, by the laws of motion peculiar to it, and the particular and historically variable forms of labour-organisation compatible with a specific mode must be understood in the light of these laws. [21] This argument is entirely consistent with my own, which to the effect that there is a necessary and not a contingent link between the laws of motion peculiar to the CMP and wage-labour.

To illustrate this point, let us take one case where insertion in the world market did not lead to the development of specifically capitalist laws of motion, namely eastern Europe in the era of the second serfdom (1500–1800), when the emergence of a long-range market for grain in western Europe helped to stimulate the imposition of serfdom upon the Russian and Polish peasantry. Yet, as Witold Kula and other economic historians have shown, in the case of Poland, this did not lead to a specifically capitalist dynamic. Market production was a very small proportion of the total, which continued to be governed largely by natural conditions and unresponsive to price fluctuations, while landowners' calculations centred on the need to increase their revenues and minimise monetary costs and there was little technical innovation. The long-term trends – a falling rate of seignorial levy, and declining labour productivity – remained those analysed by Bois in the case of late mediaeval Normandy. [22]

Brenner explains how the response of the eastern European economy to the world market reflected the prevalence of feudal relations of production:

“Since the serf-lords had direct (non-market) access to their own means of subsistence (serf-peasant output from their demesnes), they did not have to buy on the market necessities for reproduction; their ability to survive, to reproduce, was independent of their ability to ‘hold their place on the market’ ... As a result, no entrepreneurs, from either inside or outside the system, no matter

how great the superiority of the productive methods they could potentially put into play could replace the serf-lords through competition.” [23]

Yet in the absence of the pressure of competition Poland could not be subjected to the peculiar laws of motion of the CMP – accumulation, rising organic composition of capital, tendency of the rate of profit to fall, crises.

That BH denote by capitalism mere membership of a competitive system is brought out by their discussion of “the ‘slave societies in the southern USA, Latin America and the Caribbean until the late 19th century’”, which, they claim, “represent(ed) particular forms of capitalism” (p. 23). They cite two authorities for the claim. The first is a sentence from Marx – “not only (do we) call the plantation owners in America capitalists, but they are capitalists” – quoted out of context from a passage in the [Grundrisse](#) where he is inveighing against “all philologists who speak of *capital* in antiquity, of Roman, Greek capitalists”. He continues:

”This is only another way of expressing that labour in Greece and Rome is *free*, which these gentlemen would hardly wish to assert. The fact that we now not only call the plantation owners in America capitalists, but that they *are* capitalists, is based on their existence as anomalies within a world market based on free labour.” [24]

Let us note first that Marx regards capital and “free” (i.e. wage) labour as so closely connected that to refer to one is to refer to the other – wage-labour is an essential property of the CMP, not one of its accidents. Second, the southern slavocrats are capitalists by virtue of their *anomalous* position “within a world market based on free labour”. We shall return to this anomaly below.

Let us first consider BH’s other source, Orlando Patterson’s article, *Slavery in Human History*, which, they say, “admirably refutes both the idea of a ‘slave mode of production’ and the notion that the American slave South was not capitalist” (p. 49

n 10). There is in fact little to be said for Patterson's article, which is organised around a sociological analysis of the "inner dialectics of slavery" which operates in terms of consciousness rather than production relations – no wonder that he dismisses the concept of a slave mode of production, although it is more surprising that marxists like BH should follow him in this. There is then little obstacle to his asserting that there are "two major variants" of capitalism – slave and free:

The representation of labour as a free commodity is, in orthodox marxian terms, part of the mystification of the capitalist system ... Thus the only difference between the slave-master and the capitalist is the fact that the former is either less hypocritical about the labour force he exploits or less self-deluded. The slave variant of capitalism is merely capitalism with its clothes off. [25]

Ignoring the wretched muddle this passage displays (it is just mumbo jumbo to say that "labour" is a "free commodity" – it is labour-power, Marx insists, that is purchased and sold, and, in this cruel veil of tears, commodities do not come free), let us note that Patterson subsequently concedes that there is a difference between his two "variants" of capitalism. Nevertheless, the effect of his approach is to dissolve the specific modes of appropriation of surplus-labour into an undifferentiated exploitation. BH differ in this only in adding a third "variant" – serf capitalism. What makes these different forms of surplus extraction variants of capitalism? Nothing but the fact that in each case production is regarded by the owner of the means of production as an investment on which he seeks a monetary return, a profit. This is, of course, Max Weber's definition of capitalism: "where we find that property is an object of trade is utilised by individuals for profit-making enterprises in a market economy, there we have capitalism". [26] Capitalism is here conceived from the standpoint of the process of circulation – "the 'capitalistic' orientation of profit-making activity" is compatible, Weber argues, not only with the "rational capitalistic enterprise" of the modern west, but with

mercantilism, usury and what he calls “political capitalism”, for example, the tax farming practised under the later Roman republic. [27]

Marx, as we have already seen, was deeply hostile to such a promiscuous extension of the term “capitalism” to every pursuit of monetary gain. He was careful to distinguish capitalism in his sense from merchant’s and usurer’s capital, “the antediluvian forms of capital, which long precede the capitalist mode of production, and are to be found in the most diverse economic formations of society”. Their emergence is possible because “money and commodity circulation can mediate between the spheres of production of widely different organisation, whose internal structure is still chiefly adjusted to the output of use-values”. Thus, usury “does not alter the mode of production, but attaches itself firmly to it like a parasite and makes it wretched”. [28] For Marx, it is the “internal structure” of production which distinguishes the CMP, and, as he makes clear elsewhere, this is constituted by the specific distribution of the means of production – the concentration of the means of production in the hands of capital and the transformation of labour-power into a commodity. [29] In the absence of these conditions, money and commodity relations may bring different economies into relation without this necessarily giving rise to any fundamental alteration of these economies’ internal dynamic, their laws of motion, as we have seen in the case of Poland under the second serfdom.

This thesis is amply confirmed when we come to consider the case of slavery in the American South and the Caribbean. The plantations were, virtually from their inception, commodity-producing enterprises. Yet the specific laws of motion governing the slave economy were quite distinct from those of the CMP. Banaji characterises the slave plantations in the following terms:

“This specific form of enterprise ... differs from the classical form of capitalist enterprise mainly in its lower intensity of accumulation and in the fact that accumulation is here compatible with a constant composition of capital, and therefore with stagnant

or declining levels of labour productivity. Increases in the rate of exploitation depend not on the conversion of necessary labour into surplus-labour, i.e. the production of relative surplus-value, but on an intensification of labour or on a lengthening of the working day to the limits of physical endurance. The self-expansion of value no longer figures as an entirely autonomous and dominating force compelling each enterprise to reduce cost-prices to a minimum, but acquires a purely relative and sporadic existence as a function of feudally dominated habits of consumption and display.” [30]

The slave plantations can be regarded as capitalist only from the standpoint of circulation, when conceived as capital-investments, means for expanding given sums of money, and as productive of commodities. However, the internal structure of the production on the plantation prevented it from functioning as a capitalist enterprise.

It should be noted that this argument has nothing to do with the question of the relative efficiency of slave and free labour, and of the degree to which the slave plantations were run according to commercial criteria. The production of sugar and cotton in the West Indies and the American South required the large-scale application of unskilled labour. Small-scale peasant production was not appropriate in these circumstances, nor were conditions (especially the absence of a monopoly of land) conducive to the use of wage-labourers even had they been available. The use of African slaves in those conditions was perfectly economically “rational”. [31] Similarly, classical scholars argue that the use of slave-labour by the Romans was more profitable than leasing land to tenant farmers or hiring wage-labourers. [32] Given fixed techniques slave labour can match or outstrip free labour in efficiency in a limited set of agricultural activities requiring a large unskilled workforce. But the CMP requires the constant *transformation* of the level of technique. Slavery, because it provides no mechanism through which the direct producers can be given an incentive to increase their productivity, is only compatible with capitalism under very specific conditions. Such conditions were met in the southern

US in the first half of the 19th century, when the expansion of industrial capitalism in Britain created a rapidly expanding market for cotton picked by black slaves. The emergence of an industrial and financial bourgeoisie in the northern States whose interests lay in the construction of a national market from which their British competitors were excluded made a clash between slave and free states inevitable. The growth of American capitalism was incompatible with the existence of what was effectively an enclave of British capitalism in the south.

The mere expansion of money and commodity circulation, and the consequent inclusion of different social formations in a single world economy, therefore does not of necessity act as a solvent on pre-capitalist class structures. Its effects will be complex, depending to a significant extent upon the character of these structures and the possibilities for social transformation which they embody. By assimilating capitalist social relations to mere membership of a competitive world system, BH dissolve all that is specific to Marx's concept of mode of production. This concept designates a complex of social relations whose character derives from a specific mode of appropriation of surplus-labour, itself determined by the manner in which direct producers and the means of production are combined and/or separated, and the definite laws of motion to which it gives rise. The differences between modes of surplus-extraction become merely those of relative efficiency – BH refer to “slave and serf-labour” as “an impractical and inefficient source of surplus-value” (p. 46) – rather than of the specific dynamics which different modes of appropriation of surplus-labour impart to social formations.

This is a position remarkably similar to that taken by Paul Sweezy and others in the debate among marxist historians provoked by Maurice Dobb's **Studies in the Development of Capitalism**. [33] For Sweezy & Co. expanding trade is not one necessary condition, but the motor, of the transition from feudalism to capitalism. As Brenner points out, they tend “to *assimilate* the emergence of new class relations of production to

commercial development. Explicitly or implicitly, they regard the transformation of class relations as a necessary effect of continuing commercialisation ... Thus, free wage-labour arises as a techno-economic adaptation *within* the producing unit. The *class* system of free wage-labour emerges as a by-product of the individual actions of (*de facto* capitalist) producing units which re-organise production in order to maximise surplus and compete on the market ... Given the rise of exchange and techno-economic imperatives of the development of the productive forces under commercial pressures, the rise of capitalist social relations is reduced to a formality.” [34]

Wage-labour and the USSR

Before we can fully appreciate the force of this point, we must consider BH’s discussion of the USSR. So far I have concentrated my fire on the theoretical presuppositions of their argument, on showing that wage-labour is an essential feature of the CMP and that the social formations where this does not exist but which BH claim to be capitalist are not in fact capitalist. All this may seem a bit theological, although it must be kept in mind that in order to be able to use concepts properly one has to be clear about their meaning, status and function. It is less any factual error than their failure to understand one very important aspect of Marx’s **Capital** which leads BH astray. Nevertheless, someone might agree with all my arguments up to this point and yet still accept BH’s claim that wage-labour does not exist in the USSR, concluding that Russia is therefore not capitalist. This is an unpalatable conclusion, and so I shall try to show that wage labour does exist in the USSR. BH’s argument to the contrary consists in three sentences:

For all intents and purposes there is only one employer in the USSR: the state. The purchase and sale of labour-power there does

not, therefore, turn it into a commodity. It is therefore not as a result wage-labour in Marx's sense of the word. (p. 47)

Let us leave aside the oddity of a use-value that is purchased and sold and yet is not a commodity. BH could, but do not, cite Tony Cliff's argument to the same effect. Cliff writes that

“the freedom of the worker on the one hand, his bondage on the other, are shown by the ‘periodic sale of himself, by his change of masters, and by the oscillations in the market-price of labour-power’. The worker's freedom is expressed in the fact that the sale of his labour-power is periodic – his contract of employment is for a limited period of time. But, ‘if there is only one employer, a “change of masters” is impossible, and the “periodic sale of himself” becomes a mere formality. The contract also becomes only a formality where there are many sellers and only one buyer’”. [35]

This argument appears to have some support in Marx, who writes that “the slave is the property of a particular *master*; the worker must indeed sell himself to capital, but not to a particular capitalist, and so within certain limitations he may sell himself to whomever he wishes; and he may also change his master”. [36] So, it would seem, that, according to Cliff, and BH, the Soviet worker is not a worker (in Marx's sense of a wage-labourer) but a something closer to a slave or a serf, lacking any choice in whom he works for.

There are a number of points which could be made in reply. First, in no advanced capitalist country is the mobility of labour-power in practice unrestricted. Many workers stick to the same jobs all their lives, while the movement of workers between different countries is tightly restricted and regulated. Furthermore, in time of war, all capitalist states tend to assume the power to control the movement of labour – yet Ernest Bevin's dictatorial powers as Minister of Labour did not mean that between 1940 and 1945 Britain ceased to be a capitalist country. [37]

Second, we should ask ourselves whether the features of wage-labour discussed above – its source in economic compulsion and its potential versatility – are to be found in the USSR. The answer is, yes. At no time did forced labour in the strict sense become the predominant form of exploitation in the USSR – even at the height of the Gulag Archipelago. Zhores Medvedev estimated that the total population of the labour camps today is between 1½ to 2 million, a sizeable number indeed, but only a negligible proportion. [38] The section of the population whose freedom of movement has been most restricted – the kholkoz workers – are now to receive internal passports, which is likely greatly to increase their mobility, in any case considerably greater than their legal status would suggest, as the steady drift of the young from country to town shows. As in the west, the ruling class relies on economic compulsion – the choice between working and starving – to persuade people to work, and a complex piece-rate system has been devised in order to provide workers with the incentive to work harder and more efficiently. Wage-rates vary considerably both within and between industries and in different parts of the country, and variations in the price of labour-power are used to induce workers to move into areas and sectors where labour-power is scarce. Alec Nove offers an illustration:

It has been (rightly) decided to invest massively in Siberia, to ensure essential supplies of fuel and materials. For obvious reasons it is expensive to invest in these inhospitable and remote regions, and workers must be offered good wages and amenities, otherwise they refuse to go or to stay (forced labour being no longer of economic significance). [39]

Furthermore, labour-turnover is higher in the USSR than in the main western capitalist countries. Thus 20% of young workers changed their jobs within the first year of work. [40]

All the evidence, then, points to the existence of a highly developed market for labour-power in the USSR. Presumably BH would respond, just as Cliff did over 30 years ago, by

arguing that “here ... the essence contradicts the form”. [41] Cliff’s justification of this statement is rather obscure: whereas in the west, an increased demand for labour-power leads to higher money wages and (as production adjusts) higher real wages, in Russia it will cause merely higher money wages, since the total production of consumer goods is fixed in advance by the state. But in the first place, consumer goods are provided not only by state factories and farms but through the black market and by peasants working on their private plots, so higher money wages can lead to higher real wages, irrespective of the plan. In the second place, Marx saw wages varying within certain limits set (at the bottom) by the cost of reproduction of labour-power and (at the top) by the rate of profit. The Russian bureaucracy’s plans for the production of consumer goods are not the product of arbitrary choice – they are, in the final analysis, determined by these limits.

None of this, BH might argue, alters the fact that it is the state which is the sole employer of labour-power; how can labour be free if there is no competition between capitals? Here, I think, we are misled by Cliff’s general approach in the crucial seventh chapter of [State Capitalism in Russia](#), where he discusses the law of value. Here he, for the purposes of argument, treats the USSR as a single unit of production:

If one examines the relations within the Russian economy, abstracting them from the relations with the world economy, one is bound to conclude that the source of the law of value, as the motor and regulator of production, is not to be found in it. In essence, the laws prevailing in the relations between the labourers and the employer-state would be *no different* if Russia were one big factory managed directly from one centre, and if all the labourers received the goods they consumed directly, *in kind*. [42]

This argument is a step towards Cliff’s demonstration that competition between capitals, which enforces the laws of motion of the CMP upon individual units of production, takes the form

in the case of the USSR of military competition with the west. As such, it is entirely justified.

However, the assumption that Russia is “one big factory” breaks down when we come to discuss the question of wage-labour. For the USSR is not a factory, it is a *national economy*, an articulated system of different productive activities, and it therefore faces the problem of distributing labour-power among various branches of production. Now, it could, in principle, adopt coercion as a method of dealing with this problem, simply directing workers to different jobs. If this method became the systematic basis of labour-distribution in the USSR (rather than a temporary expedient, as in the case of wartime Britain), then workers would indeed not be wage-labourers but state slaves. The Soviet ruling class’s problem would then be that of the slave master: the increases in labour-productivity necessary to keep up with the Americans could be secured only by enlisting the slaves’ self-interest, relating higher productivity to increased consumption; but such a situation would in time increase the autonomy and self-assertiveness of the workforce. [43]

The shift which occurred under Krushchev from reliance on wholesale restrictions on workers’ movements and the use of over ten million slave-labourers to a situation today where, as the figures I quoted above show, forced labour is of marginal importance, can only be understood from the viewpoint developed in this article. The coercive labour controls created by Stalin made it impossible to secure the productivity levels necessary to match the west. Yet from BH’s standpoint – one which sees only the ‘production of surpluses’ as opposed to any specific form of exploitation in the USSR – there is no difference between one of Solzhenitsyn’s *zeks* in Kolyma, felling trees for 12 hours a day at 30 degrees below zero guarded by Gulag soldiers, and a worker at the Kirov engineering complex in Leningrad (the Putilov works in Lenin’s day, when it was a Bolshevik stronghold) where a wildcat strike in protest against

meat shortages in 1978 led to the appearance of a politburo member and of vanloads of fresh meat.

Cliff's explanation of the decline of forced labour after Stalin's death (in the [second edition of his book on Russia](#), published in 1964) undermines his claim that wage-labour cannot exist under state capitalism:

”Forced labour became self-defeating. In the west, after workers were ‘broken’ into the manufacturing system, coercion gave way to ‘freedom’ ... This long transition from forced ‘wage’ labour to ‘free’ labour has been telescoped in dynamic Russian state capitalism into a generation ... There are two main reasons for the relaxation of legal penalties. First, the more complicated production, the less effective is coercion. Coercion can prevent a worker from committing a misdemeanour, but it cannot make him do what he cannot want. If the threat of penalty stops him from malingering or absenting himself, it cannot prevent him from pretending to be busy while not really working, or from damaging equipment, stealing supplies, etc. Secondly, the present Russian working class, modern and up to date, is less amenable to continuous, rigorous discipline than the previous generation, and excessive pressure may be self-defeating. The problem is no longer one chiefly of maintaining discipline, but rather of evoking the initiative of the workers and securing his willing co-operation in production.” [\[44\]](#)

This analysis recalls Marx's distinction between the ‘formal’ and ‘real’ subsumption of labour to capital. The former corresponds to the early stages of capitalist development and consists in the production of absolute surplus-value, i.e. the lengthening of the working day, on the basis of an unchanged level of technique. However, with the production of relative surplus-value based on the transformation of the labour-process, “a *specifically capitalist form of production* comes into being ... Only when that happens do we witness the *real subsumption of labour under capital*”. [\[45\]](#) One could thus see the Stalin period as the “heroic” era of state capitalism in the USSR, involving the formal subsumption of labour to state capital based on the

introduction of coercive labour laws, the destruction of the independent peasantry, the reduction of wages below the value of labour-power, and the rapid expansion of the workforce – a phase, in sum, in which a high level of coercion was a prerequisite of capital accumulation. Developments since Stalin's death have seen a transition to the real subsumption of labour to state-capital – the relaxation of state labour controls, increases in real wages, the drastic reduction of the slave-labour force, and a growing emphasis on raising the productivity of the workforce rather than increasing its size.

In any case, when we look at the reality of Soviet society, there is no doubt that labour-power is a commodity there. Enterprises compete for workers, offering all sorts of illegal bonuses to persuade people to work for them. Workers have a considerable degree of choice – they are not compelled to work in a particular factory. In this respect, there is no significant difference between Russian and western capitalism. It is true that Soviet workers do not enjoy the right to organise, or any of the other democratic freedoms, but then neither do workers in Chile or South Korea. The fact that there is effective full employment in the USSR (although not in other state capitalist countries – for example, China and Yugoslavia) does not alter the picture. Marx's concept of the industrial reserve army embraces more than the unemployed. The agricultural population of European Russia played this role during the first 50 years of state capitalism in the USSR, just as the third world has served as western capitalism's reservoir of cheap labour, especially in the period of full employment of the indigenous workforce in the 1950s and 1960s. The exhaustion of the Russian countryside as a source of labor-power for industry, and indeed the need to transfer workers to agriculture because of the low level of farm productivity, has increased the economic significance of the fast growing population of Soviet Asia, who are likely to become the *gastarbeiter* of European Russia. The labour shortage has also led to calls by Soviet economists that workers can be deprived of

one of their few existing rights – to a job.

Conclusion

These considerations lead one to the conclusion that not only is wage labour essential to capitalism, but it exists in the USSR. I have developed the argument at such length because it has political implications. There are two crucial absences from BH's article – the class struggle and the proletariat.

To take the class struggle first: Marx distinguishes between 'capital in general' and 'many capitals'. He analyses 'capital in general' in **Capital**, Volume 1, and the first two parts of [Volume 2](#). This analysis centres upon the immediate process of production, the process through which capital expands itself by means of the extraction of surplus value. Its focus is the contradiction between capital and labour. "Many capitals" is the object of [Capital, Volume 3](#): it deals with the contradiction *between* capitals, the process of competition. Both dimensions are essential to the understanding of the CMP. A common error (the German "capital-logic" school and its followers are a good instance) is to reduce "many capitals" or "capital in general"; yet without the pressure of competition from other capitals the specific laws of motion of the CMP – and in particular the extraction and accumulation of surplus value – would not become operative. BH have committed the reverse error, they have reduced "capital in general" to "many capitals". The process of competition (or, as they quite misleadingly call it, of "valorisation") is sufficient to give rise to capitalist relations of production on their account – hence their willingness to describe the American South and (even) Russian serfdom as capitalist.

I have already pointed out that such an approach involves characterising capitalism from the point of view of circulation rather than production. Marx's approach, by contrast, focusing as

it does on differences in modes of surplus-extraction highlights, at the core of society, contradiction, exploitation, conflict and struggle. Class struggle takes place on the basis of the specific form of exploitation. The logic of BH's approach is that the pressure of international competition was itself sufficient to transform Russia into a state capitalist country. They chart the bitter class struggle which led to the destruction of most of the gains of the October revolution and the expropriation of Russian workers and peasants, yet there seems to be no room in their model of capitalism for this struggle. In this sense, their position is reminiscent of those criticised by Brenner for explaining the transition from feudalism to capitalism in terms of the expansion of commodity circulation, without consideration of the relations of production and of the class struggles necessary to expropriate the direct producers and lay the basis for capital accumulation.

In the second place, what about the proletariat? For Marx the working class is made up of wage-labourers and is defined by the necessity to sell its labour power. But if wage-labour does not exist in the USSR, can we describe the direct producers there as workers? Would it not be better to call them state slaves, toiling in the huge plantation that is USSR Ltd? BH's taunts at those who attempt to apply Marx's categories to societies where "there is even said to be no working class" go sadly astray, since the logic of their position is in fact that the USSR is precisely such a society.

Again, this is not simply a matter of nomenclature. For the pattern of class struggle in a slave society is significantly different from that under capitalism. Marx again and again stressed that capitalism socialised the labour process, creating a "collective worker" with the power to assume control of production. This can only take place on the basis of wage-labour, for the reasons indicated above: only wage-labour can provide the versatile and skilled workforce necessary for the socialisation of the labour process. Capitalism without wage labour is capitalism without the proletariat.

In conclusion, one problem to which we need to address ourselves is the specific form in which the laws of motion of the CMP become operative in the case of state capitalism. Marx's analysis of **Capital**, while generally applicable, is couched in terms which take for granted the predominance of competition between capitals within individual national economies. The peculiarities of state capitalism require the extension and modification of Marx's analysis in the way that Hilferding demonstrated how the labour-theory of value governed monopoly pricing and the fluctuations of the stock market. Cliff has provided the framework within which to develop analysis of the fine-structure of state capitalism, but that analysis remains largely to be carried out. BH's attempt to develop the theory of state capitalism is, therefore, to be welcomed, even if their own confusions lead them in the end so sadly astray. [46]

Notes

1. P. Binns and M. Haynes, [*New Theories of Eastern European Class Societies*](#), **IS 2** : 7 Winter 1980. All references in the text are to this article. I am grateful to Chris Harman for his very helpful comments on the draft version of this article.

2. Karl Marx, [**Wage Labour and Capital**](#), in K. Marx and F. Engels, **Selected Works** (London 1968) p. 83. Emphasis in original.

3. **IS 2** : 9, Summer 1980.

4. See I.I. Rubin, **Essays on Marx's Theory of Value** (Detroit 1972), K. Marx, **Capital**, Vol. 1 (Harmondsworth 1976) [Chapter 12](#), and **Capital**, Vol. 3 (Moscow 1972) [Chapters 10](#) and [15](#) and C. Harman, [*Marx's Theory of Crisis and its Critics*](#), **IS 2** : 11, Winter 1981.

5. K. Marx, [**Capital, Vol. 2**](#) (Moscow 1967), p. 228. In some cases, black mineworkers and domestic servants in southern Africa, for example, payments in kind assume great importance.

6. O. Patterson, *Slavery in Human History*, **New Left Review** 117, September–October 1979, pp. 50–1.

7. Marx, **Capital**, Vol. 1.

- [8.](#) K. Marx, *Results of the Immediate Process of Production*, Appendix to **Capital**, Vol. 1, p. 1031.
- [9.](#) Marx, **Capital**, Vol. 2, p. 483.
- [10.](#) See the discussion on the slave mode of production in B. Hindess and P. Hirst, **Pre-capitalist Modes of Production** (London 1975), Chapter Three.
- [11.](#) Marx, *Results*, pp. 1031–2.
- [12.](#) R. Brenner, *The origins of capitalist development*, **New Left Review** 104, July–August 1977.
- [13.](#) G. Bois, **Crise du féodalisme** (Paris 1976). Bois, however, argues that Brenner identified the mode of production too narrowly with the relations of class power – see G. Bois, *Against the neo-malthusian orthodoxy*, **Past and Present**, No. 79, May 1978.
- [14.](#) Marx, *Results*, p. 103.
- [15.](#) Marx, **Capital**, Vol. 1, p. 78.
- [16.](#) M. Weber, **The Agrarian Sociology of Ancient Civilisations** (London 1976) pp. 396, 355.
- [17.](#) A.H. Jones, *Slavery in the ancient world*, **Economic History Review**, Second series IX, 1956, pp. 187–91.
- [18.](#) Bois, **Crise du Féodalisme**, pp. 160ff.
- [19.](#) K. Marx, **Grundrisse** (Harmondsworth 1973) p. 29.
- [20.](#) See, for example, Marx, *Results*, p. 952.
- [21.](#) J. Banaji, *Modes of production in a materialist conception of history*, **Capital and Class** 3, Autumn 1977.
- [22.](#) W. Kula, **An Economic Theory of Feudalism** (London 1976). See Bois, **Crise du Féodalisme**, pp. 352ff. for a summary of the structural characteristics and long-term dynamic of the feudal mode of production.
- [23.](#) Brenner, **op. cit.**, pp. 70-1.
- [24.](#) Marx, **Grundrisse**, p. 517.
- [25.](#) Patterson, **op. cit.**, pp. 51, 53.
- [26.](#) Weber, **op. cit.**, p. 51.
- [27.](#) M. Weber, **Economy and Society** (Berkeley 1978), pp. 164–6.

- [28.](#) Marx, **Capital**, Vol. 3, pp. 593, 328, 596.
- [29.](#) Marx, **Grundrisse**, p. 96; **Capital**, Vol. 2, p. 33.
- [30.](#) Banaji, **op. cit.**, pp. 16–17. Incidentally, Lenin described the latifundia of the southern United States as “survivals of pre-capitalist relationships” 50 years after the civil war. See **Collected Works**, Vol. 22 (Moscow 1964), p. 50.
- [31.](#) See Hindess and Hirst, **op. cit.**, pp. 148ff.
- [32.](#) K.D. White, *The Productivity of labour in Roman agriculture*, **Antiquity** XXXIX, 1965.
- [33.](#) See R. Hilton (*ed.*), **The Transition from Feudalism to Capitalism** (London 1976).
- [34.](#) Brenner, **op. cit.**, p.39.
- [35.](#) T. Cliff, **State Capitalism in Russia** (London 1974), p. 207.
- [36.](#) Marx, *Results*, p. 1032.
- [37.](#) Cliff makes much the same point with respect to Nazi Germany, but he does not pause to consider the implications for his denial of the existence of wage-labour in the USSR – see T. Cliff, *The Theory of bureaucratic collectivism – a critique*, in **Origins of the International Socialists** (London 1971).
- [38.](#) Z. Medvedev, *Russia under Brezhnev*, **New Left Review** 117, September–October 1979. p. 16. The figures for camp population under Stalin come from A. Solzhenitsyn, **The Gulag Archipelago** (London 1976), p. 191. See **ibid.**, part IV, for a general account of the nature and economic role of the labour camps.
- [39.](#) A. Nove, *Problems and Prospects of the Soviet economy*, **New Left Review**, No 119, January–February 1980, p. 9.
- [40.](#) D. Lane and F. O’Dell, **The Soviet Industrial Worker** (London 1978), p. 90.
- [41.](#) T. Cliff, **State Capitalism in Russia**, p. 207.
- [42.](#) **Ibid.**, p. 209.
- [43.](#) On the incompatibility of slavery and rising productivity, see G.A. Cohen, **Karl Marx’s Theory of History** (Oxford 1978), pp. 189–93.
- [44.](#) T. Cliff, **Russia – a marxist analysis** (London 1970), pp. 200–1.
- [45.](#) Marx, *Results*, pp. 1024, 1035.

[46](#). There are terminological oddities other than those discussed in the main body of this article. For example, BH refer to ‘living and dead surplus-values’ (p. 48). It is not clear what this means. Marx distinguishes between dead labour (constant capital) and living labour (variable capital plus surplus-value). Perhaps dead surplus value means surplus-value that has been accumulated and now takes the form of capital, as opposed to surplus-value that has been freshly produced during the current circuit of capital. In any case the distinction seems unnecessary and confusing.

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