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THE BOLSHEVIKS AND THE ABOLITION OF MONEY

Following the Bolshevik seizure of power in Russia in October 1917, in June 1918 the Council of People’s Commissars (Sovnarkom) enacted the Decree of General Nationalization to cover the major industries and large-scale enterprises. On November 29, 1920, the Supreme Council of National Economy (Vesenkha) extended the decree to cover all enterprises employing five or more workers where mechanized power was used and enterprises employing ten or more workers where no mechanized power was used.

It must always be remembered that for sundry leftists nationalization (state ownership) is synonymous with socialization; some advocate nationalization with workers democracy but still with value, whereas anything short of common ownership by all and democratically controlled production directly for use retains capitalism – no matter what its form, state controlled or otherwise. However, the Bolsheviks knew that nationalization with value was state capitalism, but they did not know how to abolish capitalism because they did not know how to abolish value.

The Russian economy virtually collapsed during the period of “War Communism” (1918-1921). Firstly, the Brest Litovsk Treaty of March 1918 (viewed by the Bolshevik left wing as surrender to German imperialism) obliged Russia to surrender Ukraine to temporary German occupation, thereby losing 40 percent of Russia’s industry as a whole, 70 percent of the steel and 90 percent of the sugar industry. Secondly, escalation of the civil war aided by external armed intervention drastically reduced the area under Bolshevik control, thereby shrinking the sources of supply of food, fuel and raw materials. Thirdly, the Entente’s economic blockade impeded imports of machine tools and spare parts. Fourthly, continuous sabotages by the enemies reduced production. As a result of all these in 1920 industrial production fell to below 15 percent of the 1913 level: whereas money supply rose by two times in 1918, by three times in 1919 and by five times in 1920.

Increasing money supply and decreasing industrial production coupled with the unproductive expenses of the civil war devalued the purchasing power of the ruble. It must be noted that the lower the purchasing power of money, the greater is the need and demand for money because money as “the ideal measure of value” is “the phenomenal form” – the “socially recognized incarnation of homogeneous human labour” – “a crystal formed in the course of the exchanges”. Hence, money exists so long as the ultimate state of its existence that is value in exchange exists.

According to Marx value is “the active factor” that assumes “at one time the form of money, at another that of commodities”. It is under the form of money that value begins and ends, and begins again, every act of its own spontaneous generation…. The capitalist knows that all commodities… are in faith and in truth money … a wonderful means whereby out of money to make more money. “Value therefore now becomes value in process, money in process, and, as such, capital. It comes out of circulation,
enters into it again, preserves and multiplies itself within its circuit, comes back out of it with expanded bulk, and begins the same round ever afresh”. Since money is the ultimate from of expression of value, which, under capitalism, turns everything else valueless unless married to itself, when money appears to be worthless, it becomes all the more worthwhile. That in February and May 1919 the Soviet Government attempted to introduce a new ruble to replace the old one is a proof in hand.

NEVER ABOLISHED

The ruble was never abolished. Therefore, the claim that it was so in the state sector during War Communism is an ideology. What is its basis?

From May 1918, state enterprises were required to deposit all cash with the state bank, which kept their accounts. Exchanges between these enterprises had to be conducted either through cheques, or through bookkeeping in the state bank in terms of the ruble values of the goods traded at their ruling prices. Cash requirements remained confined only to wage payments. Despite the claim that it was a step towards the ‘abolition of money’, in no time some Bolsheviks correctly pointed out that this was not different from bank clearing in Western capitalist financial systems. Yet, the second All Russian Congress of Regional Economic Councils in December 1918 re-affirmed the above measures and “expressed the desire to see the final elimination of any influence of money upon the relations of economic units.” In addition, the inclusion of the same illusion in the new party programme adopted by the Eighth Party Congress held in March 1919 led the measure to cover all state enterprises and institutions, whenceforth the state-budget accommodated all their payments and receipts. This was the content of the so-called ‘naturalization’ of economic relations i.e., the alleged ‘abolition of money’ in the state sector.

The revised party programme adopted by the Eighth Party Congress stated, “In the first period of transition from capitalism to communism …the abolition of money is an impossibility”, but in the same breath recommenced measures “which will widen the sphere of moneyless settlements and pave the way for the abolition of money”. Upholding this ideology, Bukharin and Preobrazhensky in their ABC of Communism published in the autumn of 1919 insisted on the need for money “in the socialist society” and said that the abolition of money would come when society passed from ‘socialism’ (i.e. according to them the lower stage of communism) to the communism proper. At the end of 1919, “the demand for currency was so great that factory tokens issued on bits of ordinary paper with stamp of some responsible person of local institution or president of some committee or other passed as money”.

Even when money reaches the stage of token money, i.e. symbols of value, “its functional existence absorbs, so to say, its material existence,” yet, says Marx, “this token which functions as money, must have an objective social validity of its own”.

An ever-expanding demand for the ruble compelled the state to follow a policy of unlimited inflation via unlimited issue of paper money by resorting to the printing press, which worked to capacity. Despite this fact, Preobrazhensky viewed the money-printing press as “that machinegun of the Commissariat of Finance which poured fire into the rear of the bourgeois system and used the currency laws of that regime in order to destroy it.” While even a positivist analyst like Carr has seen in it as merely “a virtue” “made of necessity”, “an ex post facto justification of a course which was
followed only because no means could be found of avoiding it.”

In 1920, Zinoviev said, “We are moving towards the complete abolition of money”; Larin dreamt, “the progressive ‘dying out’ of money” grows in proportion to the growth in organization of Soviet economy. Money no longer exists as the sole measure of value. Money as a medium of exchange can already be abolished to a considerable extent. Money as a means of payment will cease to exist when the Soviet state can free the workers from the necessity of flocking to the Sukharevsky market [i.e. the ‘black market’]. Both will be realized in practice in the next few years. Money will then lose its significance as a state of value and will remain merely as what it actually is: “coloured paper”.

In January 1920, the state bank was closed, not because money was ‘abolished’ but because the Supreme Council of the National Economy (Vesenkha) usurped its functions through budgetary arrangements. During the First World War, like other belligerent governments, the Tsarist government had also to depend on the mintage and printing of money. A balanced budget became the objective of the Soviet government since its inception, but the economic collapse and high costs of the civil war caused large deficits, which had to be covered from other sources. At that time, public debt was impractical. The attempts to raise tax revenues, such as by the Central Executive Committee of the All-Russian Congress of Soviets (VTsIK) decree of 30 October 1918 imposing two new taxes, namely a “Special Revolutionary Tax” and a “Tax in Kind”, miserably failed. Therefore, the only source open was note printing which only contributed to spiraling inflation.

In this respect, the Marxists must note that it was Lenin’s view that all Communists are against indirect taxation, which is regressive, and for a progressive direct tax. Whereas in Marx’s point of view: “Taxes are the economic basis of the government machinery and of nothing else….Income tax presupposes the various sources of income of the various social classes, and hence capitalist society.” Thus, with the replacement of capitalism by socialism, tax ceases to exit at all.

True, the nationalized concerns did not have to pay any tax during War Communism, and as nationalization proceeded to cover more and more firms, leaving only the very small ones, less and less tax was collected. Nevertheless, the view that nationalization deepened the government’s budgetary troubles is misleading. This is because the fall in revenue of the state under this head was compensated by the rise in revenue under another head, i.e., the required deposits of the receipts of nationalized concerns. This means that the part of the profits of an enterprise, which was entering into the state’s budget in the form of direct tax receipts before the enterprise was nationalized, was, now after its nationalization, directly entering into the state’s budget in another form of revenue receipt. This change of form does not change the essence of the matter.

The process reached a point by early 1919 when all receipts and payments and hence profits and losses of the state enterprises had to be transferred to the People’s Commissariat of Finance (Narcomfin). Moreover, before May 1918 the state bank was the source of industrial credit. Since May 1918 following a government decree that all credit applications were to be made with Vesenkha, approved credits were to be provided by Narcomfin, and by the spring of 1919 applications were to be made with Narcomfin instead of Vesenkha. Thus, the state bank was stripped of its most
important function. This was the result of the proposals to place it under *Vesenkha* and to limit its role to bookkeeping for nationalized enterprises placed before the second All-Russian Congress of regional Economic Councils in December 1918. Finally, in the second half of 1919 the state bank had no work to do. Therefore, in January 1920 it was closed down.

Again, it must be noted that this closure implied neither the ‘abolition’ of the banking system, nor the ‘abolition’ of money in the state sector. Clearly, the myth that the so-called ‘naturalization’ of the state sector saw money dying is demolished. However, dwelling at the surface layer does not help us reach the root of the problem. Marxists have to reach the source of motion of any phenomenon for finding out when and how it could be rooted out. Marx and Engels perfectly located the source of motion of money in the heart of commodity that congeals and conceals indirect human labour that is value. Until value is abolished, money cannot be abolished. Thus, the most fundamental question to be asked is: Was value ever a target of attack by the Bolsheviks?

**NON-MATERIAL MONEY**

As already said, the only way to uproot value is to uproot the relation that needs the causal-historical-but-spontaneous economic category that is indirect social labour and, at the same time, to implant the relation that needs the causal-historical-and-conscious economic category that is direct social labour. The point is deeply subtle and dialectically differentiating. In both the systems, the quantum of social labour embodied in a product is an average magnitude, but what constitutes the basis of capitalism is the indirect labour i.e. production for sale on the market with a view to profit, whereas that of socialism is the direct labour i.e. production for use. The latter system was never introduced in Russia.

In May 1919 at a congress of heads of financial sections, Milyutin said, “A system without money is not a system without payment. On the contrary. The revenue of an enterprise, like its expenditure, must be entered and accounted for in monetary symbols; money must not pass from hand to hand, but must be recorded to the requisite number of millions of rubles; the account must show that a given enterprise is spending so many millions and has delivered goods to the amount of so many millions.”

Clearly, the basis of and measure for this method of settlement by bookkeeping is prices even if set by the government. Nevertheless, according to Marx price is nothing but the money name of general labour realized in a commodity. A commodity is congealed value. Moreover, “the money form is but the reflex, thrown upon one single commodity, of the value relations between all the rest.” Further: “the fact that money can, in certain functions, be replaced by mere symbols of itself, gave rise to that other mistaken notion, that it is itself a mere symbol.” In addition “The price or money-from of commodities is, like their form of value generally, a form quite distinct from their palpable bodily form; it is, therefore, a purely ideal or mental from. …Every trader knows, that he is far from having turned his goods into money, when he has expressed their value in a price or in imaginary money, and that it does not require the least bit of real gold, to estimate in that metal millions of pounds’ worth of goods. When, therefore, money serves as a measure of value, it is employed only as
imaginary or ideal money.”¹² This is the source of Milyutin’s “mistaken notion” that the ruble measure used in settling the accounts in the state sector was itself a mere ‘monetary symbol’.

If value exists then so do commodities (as congealed value) and money (as an expression of the value of a commodity). In Bolshevik Russia indirect social labour and so value remained untouched, so there remained the necessity of turning the products into commodities and of a “material” for the expression of their values even in the state sector, however ‘naturalized’ it was.

Marx wrote, “Commodities express by their price how much they are worth, and money serves as money of account whenever it is a question of fixing the value of an article in its money-form.”¹³ As “money of account”, the “material” existence of money is not necessary. It can have an “imaginary or ideal” existence. When Milyutin said that a system without money still required monetary symbols to serve as a unit of account for reckoning the price of commodities in the state sector set by the government, he mistook the imaginary or ideal existence of money to be “monetary symbols”. A change in name of a thing does not change its essence at all. At a later stage of the proceedings of the same congress, Krestinsky admitted, “the ruble may remain as a unit of account even when money has ceased altogether to exist in a material form.”¹⁴ Money’s “material form” for Krestinsky is what is money’s palpable bodily form (i.e. currency) normally is. However, the ruble’s existence as a unit of account implies its imaginary or ideal existence and thereby the existence of money itself.

In positivist economics money is merely a unit of measurement which, besides its various other functions, serves as a unit of account. This theory is ideological because it takes money as a ‘neutral’ unit just as various other units of weights and measures, namely, gram, metre, litre, Celsius, Fahrenheit, etc. are, and not as an expression of a social relation of production.

Thus, ‘Marxists’ who claim that money was ‘abolished’ in the state sector during War Communism are ‘Marxists’ who abandon Marx’s theory of money to accept the positivist one. As Marx points out, according to this view, “Money has been cunningly devised” to overcome “certain technical inconveniences” suffered by commodity exchange. Hence, while criticizing Thomas Hodgskin, Marx says, “Proceeding from this quite superficial point of view, an ingenious British economist has rightly maintained that money is merely a material instrument, like a ship or a steam engine, and not an expression of a social relation of production, and hence is not an economic category.”¹⁵

Thus, in positivist economic ingenuity money is a non-economic category, a product of the idea, a ‘neutral’ “material instrument,” used to reckon economic activities in conformity with ‘natural laws’.

Therefore, by citing the existence of money in the existence of the ruble as the unit of account in Russia, economic ideologues rejoice in their victory: in exposing the existence of money even in communism. They condemn Marx’s theory – “money is an expression of a social relation of production,” and hence is “an economic category”, which shall cease to exist in socialism – as an utopia towered upon a
fundamental error, and thereby firmly positing the ‘natural law’ of money’s indispensability as a ‘neutral’ “material instrument”.

Lenin’s description of money as “coloured pieces of worthless paper,” was also a positivist view. That a piece of specially “coloured paper” becomes money is not because people wish it to be so, but because the evolution of a given relation of production came to be expressed in that tangible from. As long as money exists in the form of a “coloured paper” – or in any other form, such as a unit of account – it actually exists to accomplish all the necessary function of the same relation of production that has brought it into being.

The existence of money, commodity and value implied existence of market in Russia, though in a form different from that in which it existed in other countries. Thus, all exchanges between nationalized enterprises were still commodity exchange, which according to the Marxist method is not defined by any specific from of expression or state of existence. In its function as a medium of circulation, money does not require any palpable bodily form (cf. bank deposits). During War Communism, this function of money was well served by the centralized accounting. In fact, neither had the Bolsheviks any plan to root out money immediately after the seizure of power, nor did they clearly know how to do this. Yet some of them dreamt that money was dead, while others predicted its inevitable death. Moreover, the VTsIK decree viewed its declaration of the merger of the state bank in the Narcomfin (the Commissariat of Finance) as an attempt “to establish moneyless settlements with a view to the total abolition of the money system”, whereas money and its illusion never lost its sway over society.

LABOUR-TIME VOUCHERS?

The question of replacement of money with “the unit of labour-time” came to the fore towards the end of War Communism not as a deliberate programme of their ‘socialism’, but as a compulsion imposed by a rapidly depreciating ruble and spiraling inflation. At the second All-Russian Congress of Councils of National Economy (Sovnarkhoz) in December 1918 one delegate said, “We shall come in the end to doing without any calculations in rubles, reckoning the energy used by number of days and hours.”

The search for a stable substitute for the unstable Ruble prompted a financial expert at the end of 1919 to look for “the unit of labour-time, which in the future can be converted into a universal unit of account of living energy – the calorie.” The third Congress of the Sovnarkhoz, which met in January 1920 expressed the desire to adopt “as a basis of measurement the unit of labour” and referred this proposal to a commission for consideration. The fact, that the Bolsheviks seized power in 1917 and it was as late as 1920 when they formed only an official committee to consider a scheme of introducing a labour unit, itself proves that it was never a conscious and deliberate policy.

The nearest ever Bolshevism came to the method of Marx’s Critique of the Gotha Programme and Engels’ Anti-During was in December 1918 when Larin commented: “Today when the whole national economy must be regarded as one whole, the conception of comparative profit or loss becomes senseless. Today the only question
can be how many days must be spent to produce how many articles in a given branch of production." This underlay the commission’s work which, however, did not go beyond an academic exercise, although the term ‘tred’ (trudovaya edinista) or labour unit became familiar when the economic ‘experts’ remained engaged in their exercises. So far, so good! Ultimately, the project was nipped in the bud by the introduction of the so-called New Economic Policy.

However, even if the Bolsheviks could have actually introduced labour units, these might have replaced the ruble, but would of necessity have turned into voucher exchange and accumulation, providing money with an alternative form only.

The Bolsheviks failed to uproot money because they failed to reach the root of money; they failed to make an anatomy of the reproduction cycles of money itself. In Russia, in the state sector money always existed, since value existed, because capitalist production relations were never attacked, despite the closure of the state bank, nationalization and centralization of production.

The relation between nationalized enterprises and non-nationalized units rested upon the prices set by the government. An unstable and deprecating ruble led to their constant upward revision vis-à-vis bewildering rate of inflation, and to the widening of the gap between the officially ‘free’ and the so-called ‘black market’ prices to fantastic dimensions. Therefore, various forms of barter and payment in kind occurred, not because the ruble became “worthless” but because it became relatively scarce, which is because, the smaller the purchasing power of money the greater is the amount of it needed to accomplish the same transactions. That this did not imply any departure from the capitalist mode of circulation could be read from Marx’s comment: “In crisis, the antithesis between commodities and their value form, money, becomes heightened into absolute contradiction. Hence, in such events, the form under which money appears is of no importance. The money famine continues…”

Possessing a currency while it is constantly depreciating means constant expropriation of its possessor by the state. This is why the non-nationalized units refused to accept payments in rubles. This proves that their relation with the state sector was being governed, not by the laws of the government, but by the law of value. In the ‘black’ market too the barter between worker’s wage in kind and ‘bagmen’ s grain and other necessities demonstrated precisely how value asserts itself. The moment one forgets that money is the ultimate form of expression of value and value the original state of existence of money is the moment one is quick-sanded by the phenomenal metamorphoses of value.

Notes
1 Marx, Capital, Vol. I, Progress, 1974, p. 90
2 Ibid., pp. 152-153
3 A. Nove, An Economic History of the USSR, Pelican 1984, p. 64
4 See Carr, The Bolshevik Revolution 1917-1923, Volume 2, p. 262
5 Ibid. p. 263
6 Quoted in Carr, p. 260
7 Ibid. p. 261
8 M. Dobb, Soviet Economic Development Since 1917, p. 122
9 Marx, Critique of the Gotha Programme, Peking, p. 29


12 Ibid. pp. 98-99, emphasis added

13 Ibid., p. 103

14 Carr, op. cit. Vol. 2, p. 266


16 A. Nove, op. cit., p. 75

17 Carr, op. cit., Vol. 2, p. 264

18 Ibid. p. 267

19 Quoted in Carr, op. cit., Vol. 2, p. 268

20 Marx, *Capital*, I, p. 138, emphasis added