

THE THEORETICAL BREAKTHROUGHS FOUND ON THIS SITE.

This site is ten years old. When I set it up I had only one purpose in mind. To provide the means for workers to intellectually conquer capitalism without which their revolutionary struggles would fail due to a lack of programme and a lack of confidence. I have always treated Marxism, if he will forgive me using that term, as an applied science, not as a theoretical science which needs to be re-examined over and over again. While I have not completed this intellectual journey, this article highlights the many gains already made.

The formula for turnover and for circulating capital.

As we know the Marxist Community in their approach to Crisis Theory is split between those who follow Marx by establishing the cause to be the falling rate of profit and those who reject it. I will only deal with the former as I am unimpressed by those who dismiss this causal effect. The falling rate of profit as the source of capitalist crisis and the industrial cycle came to prominence in the 1970s when the falling rate of profit imposed itself on the world economy. However, these Marxists and those who followed later, all paraded the rate of return as the rate of profit because they believed it was impossible to distill turnover from the System of National Accounts (SNA) and with-it circulating capital. So, what could not be found was put out of mind and forgotten. However, I have shown it is possible to distill turnover (SNA) and therefore to convert the rate of return into the Marxian rate of profit by including circulating capital. Moreover using turnover we can distill variable capital from annual employee compensation thereby introducing the v in each of Marx's three important equations, s/v and c/v and finally Marx's rate of profit or $s/(c+v)$. The result is a much more precise insight into the movement of capital as well as other observations hitherto unavailable. For the articles on turnover and circulating capital click [here](#) and [here](#) and [here](#).

The USSR and Profit.

Generally when addressing the economy of the USSR the question is posed, was it based on commodity production or not? The answer is not. In the more fundamental sense, the metric used to categorise modes of production is as follows; it is to uncover the manner in which the labour of the individual becomes part of the labour of society and how that labour is appropriated. In the case of capitalism, the labour of the individual only becomes part of the labour of society *indirectly* through having to be exchanged first and converted into money, the amount of which normally exceeds the capital used to produce it yielding a profit. These exchanges obviously turns labour into a commodity. In the case of the USSR, the labour of the individual directly and immediately became part of the labour of society. It was called material balances planning. However, the profit motive can only exist in a society based on exchange, because it is only through the mechanism of unequal exchange, that is to say more money on the one side versus less value on the other side of the exchange, that labour saving investments are made possible without a fall in profits. Once this is understood it becomes clear why the profit motive could not work in the USSR because in the absence of exchange and money, labour saving investments there immediately yielded less, not more, profit. This website was the first to demonstrate why the profit motive in a socialized economy like all other margins was counter-productive. I have gone to great lengths explaining this negative phenomenon as against the foolish propositions by revisionists like Chris Harman and Tony Cliff who claim

that the USSR collapsed, not because profit was alien to the system, but because it was integral to the system in the form of a falling rate of profit. To read more click [here](#) (pages 24 – 33 together with 62 – 72) and [here](#) for more on Cliff and Harman and the State Capitalists.

Allied to this is the understanding that the economic forms thrown up in the USSR were rational.

To many observers the economic forms thrown up by the laws of motion in the USSR seemed irrational if not bizarre. One key element was the contrast in investment, which in the West was based on innovation, whereas in the East it was based on replication. Thus in the USSR the dominant form of investment was duplication. Many reasons were put forward; the leading one was that bureaucrats are risk averse and therefore a duplicated investment which minimises risk and teething problems is the preferred option and also the one least likely to obstruct meeting planned targets. I showed that something deeper was at play, a version of Marx theory of labour. By duplicating investments, enterprise managers were actually maximizing their share of the labour of society through so doing. This really came out in the latter phases of the profit motive under Brezhnev when enterprise managers started padding their costs to maximise their profit margin, which then led to the abandonment of the profit motive. This phenomenon is not unknown within capitalism itself, generally in the sphere of government procurement, where cost plus contracts are found which are extraordinarily difficult to manage because of the propensity of vendors to overstate their costs in order to pad their profits.

Modern Marxist Monetary Theory or MMT.

Marx never developed a fully fledged theory of money other than for metallic money, primarily gold. True he left us tantalizing but fragmented observations about state backed token money. This has created such gaps in our theory that many Marxists have been sucked into the myth that it is the banks who are the primary creator of fiat money. They should know better. Bank deposits are not filled with loans. They are filled with revenue, in the form of unspent wages, profits (dividends), interest, and rents. And what is revenue if not legacy value, the proceeds of previous cycles of production. Thus, the act of exchange is the process whereby past revenue is extinguished through the purchase of commodities, while new revenue is created through the sale of newly produced commodities. Thus, it is legacy value which mainly circulates current value. In fact, about ninety percent of the money supply is composed of this legacy value in the form of unspent revenues which in turn forms the ballast keeping prices stable. This revolutionary analysis of money can be found [here](#) and [here](#) and [here](#). It confirms that while money may be a mere token or a series of zeros and ones, it in fact represents value.

Universal labour time.

Without costing labour time, conscious planning is impossible. In this regard there are three variables: intensity, skill and productivity. Any mathematician will concur that it is impossible to solve for three variables. However, intensity can and must be converted into a 1, a constant. Differences in intensity are an accident of birth, two sexes, differing genes and epigenomics as well as the ageing process. It would be unfortunate to have a costing system that did not take these variations into account to homogenise them, otherwise it would atomise the working class and lead to piece rate rewards. This site therefore introduced the category *intensity adjusted by capacity*. How this is done is explained in detail in the following [article](#).

Skill on the other hand is social, a process of learning, training and experience gained, all of which absorbs additional labour. Thus, unlike intensity, which is smoothed, skills are not. Skills reflecting the rupture between physical and mental labour ensure that contributions to production vary. A more skilled worker contributes more while a less skilled worker contributes less. In this I follow Marx and Engels to the letter and their insistence on equal rights for all workers. To adjust for these contributions physical hours are converted into economic hours or as Engels called them '*compound hours*'. Assuming a more skilled worker is found to contribute 50% more than the average worker, each and every hour they work will be converted into 1.5 economic hours. It therefore follows that the total economic hours expended by society will exceed the physical hours expended by a margin which aggregates all the differing skills. It is these economic hours which then become the basis for universal labour time enabling costing to take place. This discussion over skills is not new because it is essential to unite a working class divided by skills without which revolution is impossible. But what follows is ground-breaking, namely how to deal with productivity. Hitherto productivity was incentivized on the income side both in the USSR and by many Marxist pundits to this day, namely, to offer bonuses for higher output. I have shown how calamitous this would be. Firstly, it leads to sectional behaviour as workers strive to improve their individual output often at the expense of other workers. The crudest form of this was Stakhanovism in the Soviet Union. Secondly it would ruin planning because the income side would no longer be in balance with the output side. These bonuses would cause the income side to expand beyond the prices found on the output side creating excessive demand so to speak. Accordingly, prices on the output side would start deviating from actual costs of production, the heartbeat of planning. Instead, as I have shown, the incentive for collective endeavors is found on the output side in the form of falling prices. Higher productivity, which reduces labour time, would automatically result in falling prices benefitting every worker equally by raising their ability to consume what are now cheaper products. But there is an equally important reason to take this incentive on the output side and that is to give substance to collective ownership. The means of production we inherit is uneven, some are more modern or some factories have more means of production than others. In short, productivity differs because of this unevenness. However, if we use weighted average labour times measured by economic hours, all these differing productivities are evened out. (Weighting here refers to weighing and accounting for the differences in productivities.) When all this sorted out and only then, can we accurately measure what workers contribute to production as well as what they withdraw from it, making labour time the metronome of production and consumption.

What do we mean by a crisis free economy?

Hitherto contemporary economies have been driven by margins. In the case of capitalism, it is the profit margin and to a lesser degree the interest rate margin. In the USSR it was the tax margin needed to balance the state budget and support the bureaucracy. All economies based on margins are prone to crises because the very act of cheapening production ultimately conflicts with margins, namely the impossibility of enlarging the margin sufficiently to compensate for the increase in investment. A case of diminishing returns. With regard to the USSR the inclusion of margins behind the backs of the workers led to a dysfunctional pricing system which encouraged inefficiency and waste. A communist society abolishes the margins off which an exploiting class or bureaucracy feast, by abolishing classes and bureaucracies themselves. In so doing the lower stage of communism replaces rising profits, the motive of capitalism,

with the motive of simply reducing prices. This in its simplicity, is why a communist society will be free of crises as my programme makes clear.

The difference between planning to satisfy individual wants and planning the Common or Social Fund.

Here lies the most consequential mistake made by the communist left when viewing a future society. And it demonstrates how primitive their programmes are and how they are unprepared for the future. They fail to distinguish between planning the Social Fund which represents the collective will of society and planning for individual consumption. Workers give of their labour and are rewarded by the products of their choice. No one, no state, no elite, no committee is allowed to interfere with these individual choices which are sacrosanct. This is one of the key lessons drawn from the USSR, where the oppressive state did remove individual choices over what to produce, leading to workers pretending to work because it destroyed the incentive to work. Now the roles are reversed, consumers become the active agent in deciding what will be produced in contrast to the USSR where the planners were the active agents. Furthermore, by stripping the *what to produce* from the planners it frees them to focus on *how to produce* these products. Matters are different when it comes to setting the budgets for the Social Fund. Here, indeed, we find the committees, the expert groups helping society make informed decisions, without which it is impossible to set the correct order of priorities and establish social need. Finally, as the Social Fund swells relatively and absolutely due to an expanding economy, it forms the escalator between the lower and higher stages of communism, for it is only through this fund that social need is satisfied thereby fulfilling the slogan from 'each' according to their ability to 'all' according to need. And yet the vital and liberating role and purpose of the Social Fund has largely been ignored. All of this can be found in my programme and pamphlet.

The Transformation Problem.

The law of value must explain how prices emerge from values otherwise this law cannot be substantiated nor defended. This was what Marx sought to achieve in the oft misunderstood Chapter 9 of Volume 3. There he used an arithmetical model to establish both the quantity and direction surplus value needed to be distributed to average out the rate of profit when the size of capital, their composition and the rate of exploitation were given. In this way to establish vectors, no less and no more. It was not a proof which critics maintained it was in order to invalidate it. Trying to extend and complete Chapter 9 has been the graveyard of reputations for most of the latter-day Marxists who attempted this task. What is novel about my approach is two methodologies. Firstly, I was the first to split the distribution into two parts, the first to reprice capital the second to adjust profits based on the now repriced capital. Hence the title of my first article on the transformation problem. [TRANSFORMING VALUE](#) INTO PRICES OF PRODUCTION WHICH YIELD AVERAGE RATES OF PROFIT NOT ON THE OLD CAPITAL, BUT ON THE NEWLY PRICED CAPITAL. When using this splitting of the stream of surplus value even [Eugen Ritter von Bohm Baverk's](#) criticism of Marx is allayed. The second breakthrough was to recognise that in order to reprice capital two transformations were needed not one, the earlier one Marx undertook with a further one to reprice capital itself. And finally in order to match reproduction with transformation we need to convert prices into individual circulating market prices which reprices capital into its final price of production. All of this can be found in

the links [here](#) and [here](#). I apologize for the fragmented articles but a lot of theorizing over a number of years went into accomplishing this task.

Further observations.

This is by no means a comprehensive list. There are additional and notable descriptions and observations, notably why money and labour vouchers cannot cohabit once labour vouchers are established and planning is underway. Why market socialism, that cowardly refuge of all those intimidated by the collapse of the USSR, cannot work because it is like a three legged animal with the withered market leg tripping up the two healthy legs of planning. This is due to market pricing being backward looking, reactive, indirect and delayed, whereas planning is forward looking and proactive. Finally why one should not be in favour of co-ops as they would disrupt planning and fragment collective ownership of the means of production. All of this can be found in the links already provided.

Brian Green, 5th March 2025.