'MONEY', 'PRICES' AND 'WAGES' IN THE USSR.

There is a lot of confusion amongst many Marxists about the categories found in the heading above. These categories differ from those present in a market economy, and their differences explains in large measure why the USSR failed. Thus, understanding their limitations and misuse is essential to not repeating these mistakes in any future society. Therefore, this is not merely an academic exercise.

The use of categories is essential to understand the world efficiently and more precisely. When viewed internally a category embraces a common structure or pattern or theme. When viewed externally a category is unique distinguishing itself from other categories, this prevents the world as experienced from merging into one indistinguishable whole. Viewed dialectically a category emerges when additional characteristics modify the original category to the extent it requires a different label.

This applies to the categories developed in Das Kapital, the commodity, exchange value, use value, money, price, labour power, capital, these are the essential categories. The commodity, a product of labour intended for sale. Exchange value making commodities commensurable. Use value making them desirable. Money, the commodity set aside to exchange all other commodities. Price the money name for value. Capital, money capable of buying any commodity either for production or circulation in order to make more money. Labour power, that special commodity which produces more labour than it costs to produce making it the source of unpaid labour and therefore profits. Each progressive category requiring the prior development of earlier categories providing the foundation for the new structured category.

But there are categories within categories, categories which share similar but also dissimilar characteristics. What could be termed superficial and non-essential similarities. Take the sky. It categorises the dome of air above us. But the sky can be grey and filled with clouds or bright blue devoid of clouds. If we were studying rainfall and the possibility of rain, a blue sky would be of little interest. On the other hand, a cloud filled sky would be of more interest to our study.

The same with money, prices and wages as found in a capitalist market economy and in the USSR before it collapsed. Superficially, money (Rouble), prices and wages existed in the USSR, but they were as different to prices, money and wages in a capitalist market economy as a cloud filled sky is to a blue sky. Though in this case the concept of fog obscuring visibility seems more appropriate.

We will begin with money. To act as money, true money, the money thing whether it has a material substance or is a mere token, can only exist in the bosom of the commodity, an object produced for sale in order to be monetised. This did not exist in the USSR. Their money had only two roles. Firstly, to divide the social product into its wage fund and secondly to fund state budget fund. As a wage fund it allowed workers to draw down consumer goods. As a state budget it paid the salaries and privileges of state employees and state bureaucrats.

But it had no role in the holy of holies, the production process. There goods were moved by state credit issued by GOSBANK (The State Bank) under instruction from GOSPLAN (The Planning Body) both under the jurisdiction of the misnamed Ministry of Finance. These credits were mere accounting items provided to individual enterprises and tied to the transfer of specific inputs from specific suppliers. They were not transferrable nor redeemable at least not officially. Essentially, inter-enterprise transactions were cashless. "*The Soviet financial system lacked a strong theoretical foundation, but it did feature two overriding goals. First, it should prevent inflation. Second, it should be subordinate to physical planning; money and credit were to always follow real flows, never the other way around. "This inattention is evident in the fact that the most widely used text on Soviet economic history* *devotes only a few pages to the financial system".* Only the second aspect, the subordination, is important because the first five-year plan was riddled with inflation as living standards were repressed, and later, whenever prices were revised, they were always revised upwards. What is important was the second aspect, namely that finances were subordinated to physical planning tailing the actual movement of goods. And this further observation: "*Money, in other words was 'passive' and was supposed to matter only for practical monitoring by financial authorities. For their part, enterprises were supposed to receive the cash and credit needed in order to fulfil plan goals. This is the opposite to how a market economy functions…"*

And it was also a question of reinforcing control financially: *"The great bulk of commercial transactions is effected by means of credits and debits on the books of Gosbank, which operates as the center of a general clearing system. The advantage of this procedure over that of direct commercial payment is in the control' exercised by the Bank over the operations of enterprises; no cash and credit needed… but the Bank is authorized to scrutinize all transactions to ensure that they conform to the plan. Thus the effort of an enterprise to purchase scarce materials in excess of its plan, either for hoarding or for concealing production inefficiencies, would soon be revealed by an overdrawn account in Gosbank" "Currency payments play a very small part in transactions in this sector."*

Of course, with authoritarian bureaucratic planning there was a significant gap between theory and practice. There were many informal and spontaneous interactions between enterprises which grew in the pores of the failures of the plan, often lubricated by off-book credit. But their purpose was not to replace the plan but to bolster it, to make it workable at an enterprise level. Credit imbalances also built up and when they reached crisis levels, they were purged by Gosbank. Whatever supplemental conduct took place they took place between these two poles: firstly, commercial credit could not be generated for personal gain, and secondly, the absence of credits was not allowed to close or bankrupt any insolvent enterprise. The goal remained plan fulfilment and that was more important than the solvency of an enterprise no matter how inefficient its production had become.

And finally, there is the question of waste and poor-quality production which would not exist if money ruled, if the purpose of production was to turn goods into money, because the holder of money, the buyer, is the final arbiter, the final authority over whether a use-value is purchasable or not. Marx makes this very clear in the early part of Volume 1 where he analyses and dissects use value and exchange value. For Hillel Ticktin editor of Critique endemic waste and associated poor quality of production was the plug that drained the Soviet economy. The more complicated production became the more wasteful it was.

Next let us turn to prices. Prices will exist long after capitalism's days are over. But prices in the lower stage of communism will be as far apart from prices under capitalism as a blue sky is from a cloudy sky. In a capitalist society, the products of labour circulate as the products of capital. Under this social condition prices in a capitalist society differ from actual costs of production, aka the expenditure of labour. The goal of these prices is to redistribute profits between the class of capitalists in proportion to their investments. There is thus an elastic connection between price and value, but nonetheless there is a connection, making prices in a capitalist economy real because their movement takes place in a range governed by laws arising in production and which govern the movement of capital itself.

In a communist society, goods and services will circulate as products of labour. Their price will directly reflect their actual cost of production, aka weighted average labour times. Their will no longer be an elastic relation between costs and prices. In fact, it would be possible to interchange costs and prices, saying this costs x and its price is x as well. Whereas costs will be the language of production, prices will be the language of personal consumption.

In the USSR none of this applied. Here prices were administrative prices bearing little connection to actual costs of production although they could not ignore average costs entirely. While they may have born some relation to average costs they did not respond to changes in these costs, especially the build-up of waste. They were price relics rather than responsive prices. It took years for prices to be revised as decisions needed to percolate through the layers of the bureaucracy tasked with setting prices. Worse, many of these prices were administrative prices set by the bureaucracy to fulfil its priorities. Thus, while pricing was unavoidable, because prices are needed to make diverse products comparable, pricing was deranged in the USSR and often fictitious. Soviet society paid an appalling price for the lack of functional prices in the form of waste, poor quality production and lack of innovation as described by Hillel Ticktin. The absence of functional prices meant there was nothing to discipline production nor any incentive to economise on the expenditure of labour time.

Finally, it is important to bear in mind that there was no cost-price in the USSR unlike in the capitalist economy. In a capitalist economy cost price represents the price of every input plus labour power (gross wages). The selling price in turn comprises cost price plus profit margin. In the USSR it was the wages fund plus tax margin and later tax and profit margins. This difference was due to inputs in the USSR not being purchased but transferred by state credits. Thus, in the end the main driver of prices was the need to regulate the wages fund and the state budget.

Yes, Soviet workers were paid a wage. But a wage does not imply a labour market. Workers in the USSR could not sell their labour power freely. Quite the contrary, a cursory reading of labour legislation in the USSR shows the opposite. Workers were tied to their place of employment; freedom of movement was tightly regulated. The term used was *workers were frozen in place*, unless forcibly moved to another enterprise or sphere by the state. Tenure in place was rewarded with additional benefits such as housing, access to additional consumer goods provided by the enterprise and other benefits. In fact, the main difference was this. In a capitalist economy labour is not hoarded because of its impact on cost prices and therefore profit margins. In the USSR it was, primarily to meet production targets. In a society which only rewarded compliance with planned targets, undermined by the presence of erratic inputs and poor-quality production, the only resource managers had to meet targets was to throw workers at the problem. This required surplus workers available for this purpose. Hence the contradiction between the presence of under-utilised workers amongst worker shortages in the economy, including both men and women.

Conclusion.

For a more detailed expose of the USSR please follow this link, this updated one and the second part of my pamphlet. Understanding the USSR requires research not formulae. The mode of production found in the USSR was unique requiring a quite distinct body of original theory. In particular the issue of the profit motive and why it necessarily foundered there. By understanding how the profit motive works concretely in a capitalist economy, and by extension, why it could not work in the USSR, the unique differences found between these two modes of production is revealed and confirmed. The USSR was a socialised economy, but one negated by exploitation. It was not capitalist because of this socialisation, nor was it socialist because of this exploitation. In the end the central contradiction which felled the USSR was that between the socialisation of labour and its exploitation.

The positive lesson to be learnt from the USSR is that there is no viable or dynamic exploitative mode of production beyond capitalism. Abolishing capitalism not only involves abolishing productive private property but all forms of exploitation as well, only then can society move forward.

Brian Green, 9th December 2025.