

Notebooks for Study and Research

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In the "lectures" series

Plan, Market and Democracy

The experience of the so-called socialist countries

Catherine Samary

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Catherine Samary was born in 1945. She teaches economics at the University of Paris IX-Dauphine. Her doctoral thesis (1986-Paris X) on the Yugoslav reforms from 1947 to 1980 is due to be published as *Le Marché contre l'autogestion* (The Market Vs. Self-Management) by PubliSud/La Brèche, Paris, in 1988. She leads a monthly seminar on "Social reactions to the reforms of centralized planning: Yugoslavia and the USSR compared" at the Institute of the Soviet World and Eastern and Central Europe. She is a regular collaborator of the IIRE.

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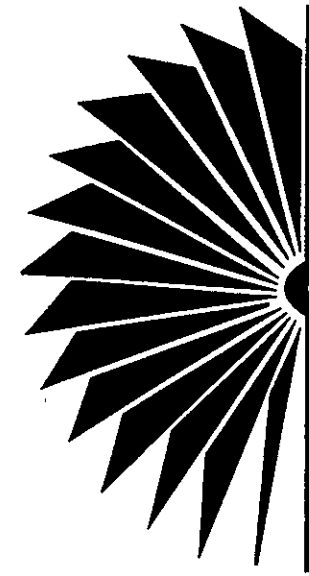
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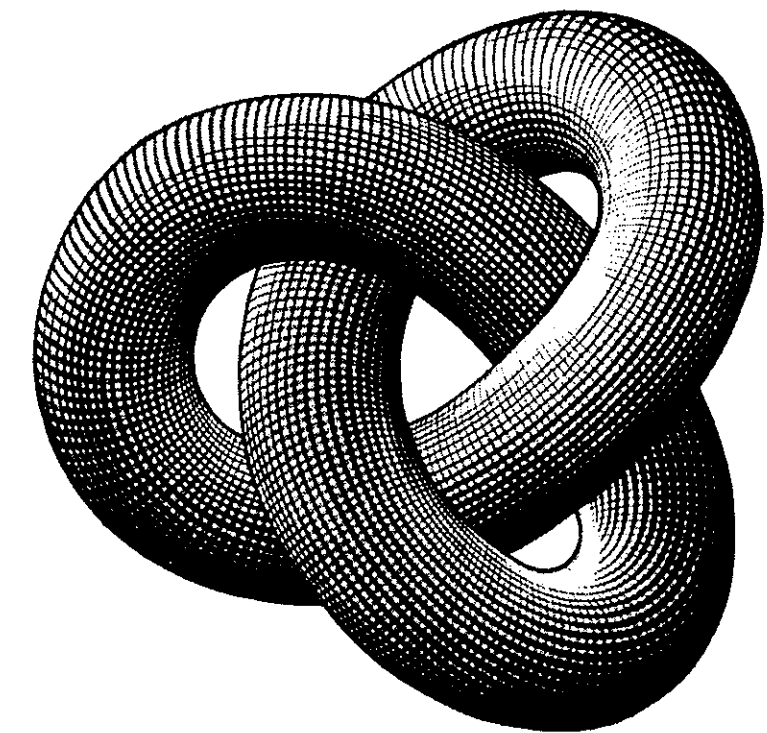


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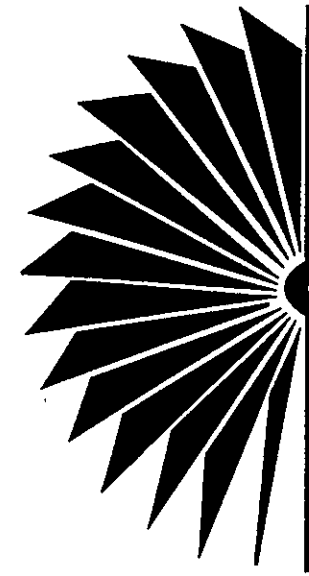
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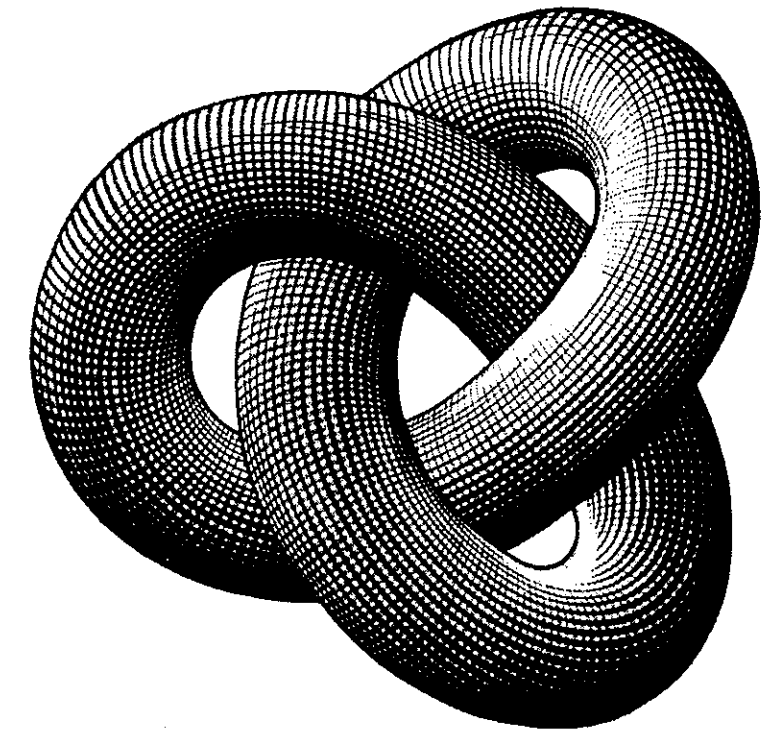


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Information on subscription rates and single copies is available at the back of this notebook.



Plan, Market and Democracy

The experience of the so-called socialist countries

Catherine Samary

NSR

N°7/8

Introduction

Theoretical, political and methodological questions

In East European countries and the USSR, debates between supporters of the plan and supporters of the market are often argued out on "purely economic" grounds.*

The Issue
Planning Versus Market?
Or

What Kind of Society Do We Want?

Planning advocates stress the well-known evils of market relations: unemployment, cyclical crises, the narrow scope of needs registered and satisfied by the market. They rightly counterpose the virtues of a system which assumes collective responsibility for satisfying needs on the long term, and ensures the full use of material and human resources by rising above local and short-term criteria of profitability.

Market advocates point to the repeated experience of bureaucratization that has afflicted, to various degrees, the countries which tried hypercentralized planning, from the USSR through China, Vietnam and Eastern Europe to Cuba. They emphasize, also quite rightly, the economic waste caused by management subordinated to commands from the seat of political power.

Naturally, the former may include officials who derive privileges from the plan. The latter, on the other hand, may draw strength from their radical critique of existing institutions — from their rejection of minor readjustments which solve little or nothing.

Our argument is not located on the plane of this counterposition of the market and plan.

We will concede that it is often difficult to combine the market and planning, to find a balance between centralization and decentralization. These are indeed real problems. But, in countries where an individual's opinion can still be considered a criminal offence, those who

* This notebook includes four lectures presented by Catherine Samary at the International Institute for Research and Education in 1987. The introduction and appendices have been written for this notebook. The conclusion is based on her book, *Le Marché contre l'autogestion*, Paris: PubliSud/La Brèche, 1988. The translation from French to English is by John Barzman and Patrick Baker.

debate these issues have a tendency to throw the baby out with the bath water. They tend to reject not only the really existing policy and political power, but also politics themselves, in the richest sense of the term, that is the key decisions about what society should be.

Thus, we will hear more and more voices rising in the USSR to criticize Gorbachev's reforms as "half-measures," as they rose in Hungary after economic reform began, and even in Yugoslavia where the reform was far more daring. But what they will criticize is not the lack of democracy in shaping the reform, but the very "interference of political choices" in economic mechanisms, what they see as the persistence of constraints on the full freedom of the market. They see the world market as an objective fact and the growing foreign debt as the penalty paid by those who refuse to comply. They will claim that objective, universal, economic laws exist, the laws of the market, and that the problems have arisen because these laws have been violated.

We agree that the existing political system and the conditions in which a national economy confronts the world market are indeed at the core of the problems which were posed in Yugoslavia and are now posed from China to the USSR and from Hungary to Nicaragua, but we cannot accept either the explanation or the remedy proposed.

A false alternative

To summarize our view, we would say that reformers of bureaucratic planning who reject Stalinism without a radical critique of its political system, are very quickly led to theorize a false alternative: either bureaucratic planning (and state totalitarianism) or the rationality of the market (and freedom). Many also assume that the market enhances self-management and makes regulatory norms unnecessary.

But theirs is not the only type of reaction to attempted reforms of bureaucratic planning. There also exists, in the very same societies, a massive rejection of the "rules" of marketplace competition. This pragmatic rejection emanates not only from conservative forces

attempting to protect their incompetence against any form of penalty. It comes also from workers who cannot accept being treated as a "factor of production" that can be fired at will, for the sake of some pseudo-economic rationality totally alien to them. The current reservations and even hostility of Soviet workers towards the reforms now underway confirm this observation.

In other words, it is not only the welfare state that should be subjected to critical scrutiny, but also the generalized market. For hidden under the latter's cost and efficiency criteria, with their false claims to universality, and under world market prices, lie definite social relations which must be rejected.

This is clear in the case of Yugoslavia's present problems: its crisis cannot be explained in the first place by failure to respect the requirements of the world market. It is due above all to a failure to respect an internal imperative, essential from the socialist standpoint: the need for a prior and explicit decision about relations between human beings and between communities. In other words, what was disregarded was the need to subordinate production and exchange (both domestic and international) to a political choice about what sort of society one wishes to build together. This, of course, poses the question of a radical democratization of society.

The "external constraint" exists and sharpens the internal crisis. It is a key problem in all countries whose comparative productivity is lower than that of the dominant economies, in a world in which the latter can impose their own criteria. The real choice is not between autarky and participation in world trade. It concerns rather the choice of the criteria that will determine how a national economy inserts itself in world trade. The real question is: Should these criteria be primarily "internal" to a given community, and therefore democratically controlled by it? (1)

Unforeseen turn of events

"Between capitalist society and communist society, there stands the period of the transformation of the one into the other."

Karl Marx, *Critique of the Gotha Program*

Marx and Engels left some well-known indications on how they conceived socialism, but these were not recipes for the saucepans of history. They were grounded in a critique of the contradictions of the capitalist system, of "generalized commodity production." The superiority

(1) Beaud [4-1987]* opposes the simplistic view that a country that wants to escape external constraints can decide to "disconnect" from the world market and law of value. On the other hand, he believes that such a country can conquer some margins of autonomy and find selected partners in the region or among several countries for various aspects of its foreign trade. Although the ship of its economy will not escape the turbulent waters of the world market, this tack will enable it to advance in the direction it has chosen. Our conception also includes this question of mastering the external constraints and choosing one's direction, even if that means going against the stream.

*[The reader will find the complete references of the works cited in the text, in the bibliography at the end of this notebook. The first number in the square brackets indicates the rubric of the

of socialism/communism could emerge only by organizing human labor on a new basis, on a scale at least as developed as that of the most advanced phase of capitalism. The internationalization of production and the worldwide division of labor promoted by capitalism offered humanity a chance to develop its productive forces in an unprecedented way — but at a growing social cost.

The subordination of the economies of the capitalist periphery to the needs of the imperialist metropolises enabled capitalism to pass its most explosive contradictions onto the less developed societies. In this respect, the October revolution, as well as the Yugoslav revolution, were the national products of an organic whole, a world system structured hierarchically. (2) As a result, they combined features of the bourgeois democratic revolution (land reform and national sovereignty) and of the proletarian revolution (in their anti-capitalist dynamic), features of the most modern capitalist development and the legacy of precapitalist societies. In these revolutions, the question of a socialist transformation was posed in a context in which it was out of the question to avoid going through "the detour of the market."

The discrepancy between the actual circumstances of these revolutions and the writings of Marx and Engels raised some new terminological problems, that is whether one could call the immediately postcapitalist society a socialist society. More importantly, substantial new problems grew up under the terminological dispute: the risk of growing social differentiations fostered by the bureaucratic apparatus, and/or the market, appeared. Cultural, social and economic underdevelopment was conducive to the delegation of power and to the crystallization of privileged layers defending their own interests.

On the plane of terminology, Marx and Engels often used socialism and communism interchangeably in their writings, even after their well-known statement that the socialist mode of distribution corresponded to a lower stage of communism. In any case, the "associated producers" were supposed to manage directly the product of their labor from the moment that capitalism was overthrown — in this respect, socialism was already communism.

Did this mean that the USSR under the New Economic Policy (NEP — see pp. 44-45) should be labelled socialist? Or that it could be socialist? For the Bolsheviks, it was a transitional society to socialism, major parts of whose economy were still capitalist or based on petty commodity production. In adopting the name Un-

bibliography under which the author is listed; the second number refers to the year of publication. When translated from the French, page numbers refer to the French edition listed in *Cahiers d'Etude et de Recherche* no. 7/8.]

(2) There is no unanimity, even among Marxists, on the complex way in which this hierarchy operates, combines with national realities and has evolved in the course of the 20th century. The notion of uneven and combined development and the different theories on the uneven development of capitalism on a world scale are essential to an understanding of the Yugoslav case. We state this even though we do not agree with all the Center and Periphery analyses, a debate which would take us beyond the confines of this study. For a glimpse of the discussion, see rubric 4 of the bibliography, "External constraints."

ion of Soviet Socialist Republics, they intended to stress their goal of transformation, not the immediate reality. Lenin stressed this point:

"No one, I think, in studying the question of the economic system of Russia, has denied its transitional character. Nor, I think, has any Communist denied that the term Socialist Soviet Republic implies the determination of Soviet power to achieve the transition to socialism, and not that the new economic system is recognized as a socialist order.

"But what does the word 'transition' mean? Does it not mean, as applied to an economy, that the present system contains elements, particles, fragments of both capitalism and socialism? Everyone will admit that it does."

(Lenin, "Left-Wing Childishness and the Petty-Bourgeois Mentality," *Collected Works*, Volume 27, p. 335.)

The Bolsheviks' conception of what this transitional economy could be, or should be, was particularly unclear because they had not imagined that the revolutionary victory could remain isolated in backward Russia. (3) They did not even consider the idea that socialism could be achieved in a national framework, that is a framework less developed than capitalism which was already a worldwide system. On this point, the Bolsheviks' theoretical position stood in the fullest continuity with Marx's thought: they conceived socialist transformation as a world process that only began in the national arena, after the seizure of political power.

In other words, socialist revolution would not stop with the seizure of power, or even with nationalizations. The historical function of the transition was to carry through this "revolutionary transformation of capitalism into communism" during which regressions would be possible, even to the point of jeopardizing the socialist future.

Trotsky's theory of "permanent revolution" was an extension of Marx's conception into which it integrated the actual conditions in which revolutions were developing, in the social formations of the capitalist periphery. The Left Opposition to Stalin believed that it was possi-

(3) David Mandel [1-1983] has shown the extent to which the idea of a socialist transformation of the economy only became widespread in 1918, as a defense against sabotage and factory closures. Among the workers, as well as in the Bolshevik program, the first demand was for the imposition of controls on firms which remained under capitalist management. For the evolution of the Bolshevik position, see among others, E. Mandel, "Stages of the Soviet Economy," in *Marxist Economic Theory* [1-1982]; Bettelheim, "First period: 1917-1923," [1-1976] and Trotsky, *History of the Russian Revolution* [1-1980].

(4) Stalinist slanders have propagated a caricature of the theory of permanent revolution: at a time when the Soviet people was exhausted, Trotsky allegedly advocated "more" revolution, not just in the USSR but internationally, "since" the building of socialism in the USSR was impossible.

The truth is quite different. Trotsky's theory included three facets.

1. In the countries of the capitalist periphery in the era of imperialism, industrialization was subordinated to foreign capital and the national bourgeoisie could not experience the same organic growth as it did in old Europe or the United States. Revolutions broke out in a context of "uneven and combined" development of archaic forms and recent industrialization. It was therefore incumbent upon the proletariat to play a leading stra-

ble to begin to build socialism in a country like the USSR, provided one did not harbor the illusion that one could succeed on one's own. It was vital for the USSR to raise itself out of its backwardness and isolation. It should therefore not ask that everything, particularly the possibility of revolutions in other countries, be subordinated or sacrificed to the (impossible) task of building "socialism in one country." (4)

You said impossible? But by the late 1930s, Stalin officially proclaimed that socialism had been built in the USSR. He imposed this "fact" both domestically and internationally. The Yugoslav revolution was the first breach in this edifice built by Stalin, because it refused to bend to the diplomatic interests of the new "great power."

Designating the new formation

Faced with anathema from Stalin, the Yugoslav Communists were forced to explain what had really happened in the beloved "homeland of socialism" they had idolized until then. Milovan Djilas wrote:

"Given in particular that the USSR was for a long time the only socialist country, a rather backward country at that, surrounded by the capitalists, and that the conscious participation of the masses to the building of socialism played a relatively minor role there, and that revolutionary forces inside as well as outside the country turned out to be rather weak, what emerged in the end was the creation of a privileged layer of bureaucrats and bureaucratic centralism; the state was transformed provisionally into 'a power above society.'" [Trans. from the French — Djilas 6-1950, p. 8.]

The only problem was that this "provisional" situation has proved quite lasting and has been repeated, in other forms, elsewhere, notably in Yugoslavia. It is well-known that there is no consensus, not even among Marxists, around a unanimously accepted characterization of this new historical phenomenon.

This new type of society has been variously called "socialist" (sometimes with the addition of an adjective such as "bureaucratic," "state" or even "market" in the

tegic role in the revolutions of these countries.

2. The second aspect stressed that a class-struggle dynamic would set in, and take the revolution beyond its initial goals. The revolution would combine the tasks of the bourgeois and proletarian revolutions. The seizure of political power by the proletariat would be only the first link in a chain of social transformations.

3. In continuity with the classical Marxist approach, the third facet emphasized that communism could only be achieved as a mode of production superior to capitalism if it drew on productive forces at least as developed and internationalized as capitalism. The socialist revolution began on the national arena but could only be completed on the international plane. This did not dictate a policy of artificially "exporting" revolution. Victories in this field would depend above all on national conditions. But the "building of socialism in one country" was a utopia.

Socialism required not only worldwide productive forces, but a high level of cultural and economic development in each country. The legacy at the outset was a handicap. The social transformations made possible by the seizure of power would take time to materialize. The "permanent revolution" emphasized the need for a permanent transformation of social relations, of the cultural and material level of development, in order to build the foundations of really socialist relations, free of oppression and exploitation. See Trotsky, "Socialism in One Country" [1-1929]

case of Yugoslavia), "capitalist" (with a range of contradictory variants) or "new class" society. The economic and political criteria used in these analyses are heterogeneous and need not be discussed here. (5)

We subscribe to a fourth option which also has several possible variants. We analyze these societies, unforeseen by Marx, as hybrids, neither capitalist nor socialist, and devoid of a new ruling class playing an independent and coherent role in the relations of production. This approach stands in the continuity of Lenin's and Trotsky's when they characterized the USSR as a transitional society. It can be placed in a broader view of history in which transitional periods arise between stabilized "modes of production," a conception developed by E. Mandel [2-1974 and 2-1977(1)] and, somewhat differently, by Bettelheim [3-1968 and 2-1975].

The notion of a transition to socialism is also upheld by several Yugoslav authors [Horvat 6-1969]. Official Yugoslav terminology has fluctuated. But the term "socialist" is generally understood to designate the goal of development, not an actually classless society free of any social conflicts (contrary to the touching picture-book images spread by Stalin) [Kardelj 6-1976].

The debate on the so-called socialist societies of the world today seems to us to gain in depth and richness when it is linked to an overall reflexion on the transition between capitalism and communism.

Nevertheless, the notion of a "transitional society between capitalism and socialism" raises certain problems. "In a transitional society," E. Mandel writes, "there is a hybrid combination between elements of the past and future. But this combination gives rise ... to something specific, to relations of production specific to this transitional stage." [2-1977, p. 8]

In other words, the concept of a "hybrid" formation does not imply that there is a "socialist sector" on the one hand, and other sectors which are not yet socialist (as Lenin's and Preobrazhensky's terminology seemed to imply). "One of the essential distinctions between transitional periods and the great 'progressive stages' of history, as indicated by Marx in his *Preface to a Contribution to the Critique of Political Economy*, is that transitional periods do not have a mode of production that is specific to them (6) whereas the great progressive stages of humanity are, by definition, characterized by specific modes of production." [Idem, p. 9]

One should note, however, that there is an objection to this approach when applied to contemporary so-called socialist countries. On the theoretical plane, the idea of a transition to communism, even when one inserts a pre-socialist period, implies that there is no real stabilization at any given intermediate stage, that elements really belonging to the future are already present, just as socialism was already a form of communism. The problem is

(5) See selected viewpoints on this issue in rubric 2 of the bibliography on the debate on the class nature of the USSR and kindred societies.

(6) Here, E. Mandel uses the concept of "mode of production" in an analytical sense, to designate a structured and coherent system with stabilized laws of reproduction. According to this approach, a transitional society therefore has "relations of produc-

tion," as every society does, but not a coherent "mode of production."

that the bureaucratic deformation of these elements obviously poses a difficulty in this respect. The direction of their evolution is no longer guaranteed. The society can undergo a regression towards capitalism or a blockage of the transformation of social relations as a result of bureaucratization. This is why we prefer to describe these societies as postcapitalist societies, insofar, of course, as capitalism has not been restored. We shall return to this point: in our view, this term is more neutral, but at the same time, does not preclude the possibility of analyzing these societies in the context of the general contradictions of the emergence of socialism.

We agree with the many authors who argue that the elimination of private ownership of the means of production does not immediately confer the quality of "social property" onto these means. In fact, the Yugoslav experience shows many more possible relations between the real — not only juridical — content of property and the various conditions of surplus appropriation. (7) On the socio-economic level, one can uncover, depending on the context, forms of "socialization" of juridically private property and, conversely, forms of "privatization" of "juridically social property."

Once the overall nature of a society has been grasped as "postcapitalist," one must still identify and analyze the direction of evolution of its components and, when the case arises, the qualitative leaps — towards socialism or towards capitalism. Such an analysis is not easy. The theoretical problems encountered in the first case are not the same as in the second.

How should advances toward socialism be identified?

Simply rejecting the equation that "Stalinism = socialism" (even if one adds the adjective "underdeveloped") does not resolve the problem, far from it. But any attempt to go beyond that and define socialism runs the risk of elevating certain normative criteria, selected on the basis of subjective preferences, above others: Have the means of production been nationalized? What percentage? Is there a plan? What kind of plan? Is there democracy? Beyond what threshold can one say that democracy is present?

We prefer to adopt the same approach to socialism as we adopt towards social property — they are in fact simply different facets of the same problem — namely that it involves the transformation of social relations in the direction of the withering away of relations of oppression and exploitation, and the reappropriation by each individual — and therefore by all — of labor as a creative activity.

We adopt W. Brus's approach [2-1975] and extend it. Brus posits and analyzes the process of transformation of

"social property," as every society does, but not a coherent "mode of production."

(7) In addition to Bettelheim [3-1968 and 2-1970], Kardelj [6-1976] and Horvat [6-1969], see among others: Brus [2-1975], Kowalewski [5-1985], Maksimovic [6-1976], Djurdjevac [6-1978] and Markovic [6-1973].

state property into "social property" in the strict sense — which means property actually controlled by society, and not just by the state as an institution separate from the citizens, nor even simply by one particular group of workers. The difference is that Brus does not question the "socialist" content of the societies described in this way. For us, on the other hand, there can be no socialism without social property, nor advance towards socialism without an advance towards the transformation of property relations. We will deal with socialist self-management in line with this approach.

Socialist self-management

The problem is that the idea of self-management can be promoted by certain ruling classes or castes to preserve their power under new forms. It is then designed, in the best of cases, only to get the workers to participate more actively in their own exploitation. This sort of atomized self-management is sometimes proposed when it is realized that the compartmentalization of work slows down the rate of growth of productivity. At other times, self-management can be the watchword of particular layers who hope to gain more responsibility and influence. The point is to obtain a new delegation of power along with a shift in the balance of forces within the privileged layers. This, incidentally, can cause the emergence of breaches "at the top," of which those "at the bottom" can take advantage. Overall, though, the result will be not that alienated wage labor withers away — to the benefit of all — but that new stratifications emerge.

If one means by socialist transformation a process whereby, as Marx put it, "a mass of instruments of production are subordinated to each individual and property is subordinated to the whole" (8), then the socialist transformation can be blocked. It can happen as a result of the emergence of new social stratifications. The juridical question is not the main argument. But this does not mean that it plays no role whatever. "Property rights" are relations between human beings, not relations between human beings and things. (9) We will see that rights guaranteed by official ideology can be circumvented or made more effective. In either case, their existence changes people's behavior and consciousness. We will also see that these rights can be challenged directly when a process of capitalist restoration sets in.

The question of capitalist restoration

Capitalism can exist in many forms. Moreover social formations considered capitalist are the product of the uneven and combined development of different social forms. [See, for instance, Beaud 4-1987]

This raises the question of when the qualitative leap can be considered to have taken place. We would answer that capitalism has been restored when capitalist domination is guaranteed, legitimated and protected by the state power and its institutions. Capitalist exploitation implies that the logic of accumulation has a particular so-

cial content — that it is subordinated to the search for profit in the framework of specific class relations.

We are not faced with two options only. The fact that the workers do not exercise social control over the surplus does not automatically mean that the appropriation of this surplus is "capitalist" — unless one wishes to give this term a dull and a-historical content applicable to all forms of class society and exploitation.

There exists a decisive test of capitalist restoration: whether the system can raise the productivity of labor by treating labor (in reality, labor power) as a mere "factor of production, a thing," a cost on the same plane as other costs and factors; or, if you prefer, whether there exists a social mechanism which incites units of production to introduce machines against workers, relying on the weapon of unemployment, on "the industrial reserve army." This process is finally consummated when it is legalized and protected by the state.

But long before capitalist restoration is completed, the role of money can be transformed — and with it, the social relations underlying credit and the forms of appropriation of the surplus, with the result that money tends to operate as "capital".

But one should not confuse a tendency and the final product. Capitalism was born in the midst of societies which it did not yet dominate. Some people — notably Bukharin and many Yugoslav economists — have argued that the elimination of private property at once eliminates all dangers of capitalist exploitation and precludes the development of new antagonistic social stratifications. We do not agree with this view.

But stating that such dangers do exist, does not provide a ready-made answer to the question of whether market relations and private property — and capitalist investments for that matter — are indeed necessary in a given postcapitalist society, and, if so, in what proportions. In other words, believing that the extension of the market and private property work against the achievement of the socialist goal, does not automatically mean that one should not resort to them. What it does mean is that the process must be consciously controlled.

We are convinced that mere readjustments of bureaucratic planning will prove ineffective and that what is needed is a radical critique of Stalinist practice and pseudo-theory. But it is also necessary to analyze the causes of the dead-ends — and current crisis — to which market-oriented reforms have led Yugoslavia. We will try to demonstrate that any system which tries to make the market the essential, fundamental link between firms self-managed by the workers, must inevitably run into these dead-ends.

In fact, if reformers really want transparency and democracy, the first thing they should do as they propose new reforms, is to make a public balance sheet of simi-

(8) Trans. from the French: Karl Marx, *L'idéologie allemande*, Paris: Pleiade, p. 1121.

(9) Marx is not the only one to claim this. Paradoxically, the free-enterprise School of Property Rights has adopted a similar problematic, combined with an apologetic view of capitalist private property rights. See Henri Lepage, one of the main French spokespersons for this school in *L'Utopie capitaliste et Capitalisme et autogestion* [3-1978].

Overall regulator or partial mechanism?

For Włodzimir Brus, the law of value operates only when the market is the overall regulator of the economy. On the other hand, some Soviet authors use "law of value" simply to designate the relation between labor, value and price in all economies. Brus's view, with which we agree, allows for the existence of partial market mechanisms even when the law does not operate, as is shown below.

◆ Brus

"It is most important, in my opinion, to reject resolutely once and for all the idea that the very fact that market and monetary categories appear, testifies to the operation of the law of value...."

"The confusion probably stems from a false analogy with a classic competitive economy where the mere existence of market and monetary categories is identical with the operation of the law of value, because the price of commodities is constantly and freely being brought back to their value (or price of production).

"... In conditions close to perfect competition, various units, each with access to only certain factors of production, are forced to consider the overall economic structure as given, and try to adapt to it. By contrast, when economic resources become so concentrated that the body who controls them has decisive influence over the whole structure of the economy, the appearance of market and monetary categories ceases to be in itself equivalent to the operation of the law of value...."

"When the state determines, by means of the plan, in what proportions and at what prices social production shall take place, the fact that market and monetary categories appear can no longer be defined as a "use of the law of value." This is particularly obvious when the discrepancy between prices and values is not an accidental and momentary phenomenon, but the result of a conscious policy. At any rate, the notion that the presence of any price structure is proof that the economy is subordinated to the operation of the law of value, would deprive the law of any objective value, since it would then provide no indication, no framework for the government's policy on prices."

(Trans. from the French — Brus 3-1968)

◆ Some Soviet economists

Here is the view of some Soviet economists quoted by Lavigne and Denis.

"Thus we must admit that in a socialist economy of the Soviet type, the overall price of the national product necessarily expresses the sum of the exchange values of the goods produced since it represents exactly their total cost in labor; we admit, secondly, that any sum received in exchange for a particular good represents a certain quantity of labor, although this quantity does not always correspond exactly to the amount expended to manufacture this good. These two principles constitute, in our view, what the Soviet economists are referring to when they speak of the 'law of value.' There is no difference among them concerning the definition of this law."

(Trans. from the French — Henri Denis and Marie Lavigne, *Le problème des prix en Union soviétique*, Paris, 1965, cited in Lavigne and Tirapolsky 5-1979.)

Law of value, prices, wages and profit

It is true that Marxist theory considers that human labor is the substance of value, behind prices, and that as long as one remains in an economy of relative scarcity, saving human labor is decisive. But, this is not all that Marx called the law of value. For Marx, the law of value concerned a coherent totality of price formation mechanisms in a given historical context — the generalized market (and possibly petty commodity production).

This is no small distinction. It means that "prices," "wages" and "profits" can exist without there being a mode of price, wage or profit formation characteristic of the generalized market (capitalism).

"Prices" can exist without the freedom to purchase and sell; in this case, the goods are imperatively delivered wherever the plan assigned them, and the circulation of goods from one unit to the other is merely recorded for book-keeping purposes. A firm's obligation to receive a particular good from a particular supplier designated by the plan is one of the rigidities often denounced by critics of Soviet planning. This sort of price does not derive from the operation of the law of value.

Likewise, "wages" can exist even when the overall share of wages in the National Product is planned and wage formation obeys non-market socio-political criteria — in particular restraints on laying off workers.

"Profit" can be an indicator — prejudiced — of the fulfillment or overfulfillment of the plan. It must then be distinguished from the social relation analyzed in *Capital*, that is from a dominant criterion orienting private investment decisions: if the planners determine (wisely or not) the goals of production, then these profits are not automatic criteria for distribution or production. Likewise, the waste and losses caused by Soviet planning do not necessarily lead to the closing of the corresponding firms, nor even to a reduction of the income distributed through them.

One of the goals of the reforms is precisely to change all this. The most daring reformers want precisely to institute the rule of a real market regulator, with "real" prices. According to them, profit should become the fundamental criterion, and no longer merely an indicator to be considered in investment decisions. This would mean that completely different price formation mechanisms and investment decisions would be taken (whether or not it would imply real capitalists too is an open topic for discussion).

In other words, the ongoing reforms and debates in the USSR are the proof of the pudding: the market (or the law of value) does not actually operate as the overall regulator even when there exist certain "market categories" (prices, etc) under centralized planning.

One consequence is that the forms taken by the crisis of this planning are different from the forms of the capitalist crisis.

lar reforms already attempted elsewhere with all those concerned.

Apparently, this is not what *glasnost* is about. What we are saying is that it is not the extension of market relations which should be radical, but democratization. In all other domains, mistakes are possible and can be corrected.

One of the problems with the debate on the place of the market is that the word encompasses different interpretations and situations. One of our goals is to make more explicit the different definitions. (See page 8: "Overall regulator or partial mechanism?")

Beyond Definitions

The word "market," used in everyday language (including by economists), can describe very different realities and social dynamics. The same is true, in fact, of the word "planning." During the post-capitalist transition, there is necessarily a certain dose of market relations (how much? that is the question!). The debate can be clarified if participants explicitly state which areas and which choices are assigned to the market, and with how much leeway in each case.

In the Mandel/Nove debate (summarized below), Mandel explains the essence of the opposition between the market and the plan by counterposing *ex post* (after the fact) and *ex ante* (before the fact) regulation. Nove challenges this view and points out that the uncertainties of the market and its forms of *ex post* adjustments can be reduced by orders and market surveys, without eliminating what is the essence of the "market" in his view: the act of buying and selling.

The NovelMandel debate

Mandel

"... Of course, directly allocated labor can be accompanied by monetary book-keeping — as it is in the bureaucratized planned economies of the USSR, China or Eastern Europe. But this does not make it identical to market allocation. When General Motors has the spare parts of its trucks manufactured in factory X, the vehicle bodies in factory Y, and the assembly performed in factory Z, the fact that computer print-outs containing monetary cost calculations of the most minute type accompany the transport of the spare parts does not mean in any way that plant X 'sells' spare parts to plant Z. Sales imply changes in ownership, and with it an effective fragmentation of decision-making reflecting a real autonomy of property and financial interests. It is not the market but the planned target of truck output which determines the number of bodies to be manufactured. The body-building plant cannot 'go bankrupt' because it has delivered 'too many' units to the assembly plant.

"... We have been using the term 'planning.' But the concept itself needs to be more precisely defined. Planning is not equivalent to 'perfect' allocation of resources, nor 'scientific' allocation, nor even 'more humane'

allocation. It simply means 'direct' allocation, *ex ante*. As such, it is the opposite of market allocation, which is *ex post*. These are the two basic ways of allocating resources, and they are fundamentally different from each other — even if they can on occasion be combined in precarious and hybrid transitional forms, which will not be automatically self-reproducing. Essentially, they have a different internal logic. They generate distinct laws of motion. They diffuse divergent motivations among producers and organizers of production, and find expression in discrepant social values.

"... The two different systems of resource allocation are structurally related — indeed largely identical — to two contrasted ways of adapting output to needs. For every human society is in the last analysis oriented towards consumption — since without the consumption of producers (that is, the reproduction of their labor-power) there would be no output, labor or human survival at all. Now, there are only two basic ways of adapting current output to needs. Either these needs are taken as given at the outset, as assessed *ex ante* by whatever is the dominant social body, and output is organized to satisfy them. Or else they are deemed to be unknown or at any rate uncertain, and the market is supposed to reveal them *ex post* through the expenditures of 'effective demand'."

(Ernest Mandel, "In Defence of Socialist Planning," *New Left Review* 159, September/October 1986.)

Nove

"Where Mandel goes wrong is when he locates the line of demarcation between the plan and the market between *ex post* and *ex ante*. Obviously, many items are manufactured on prior order! But the frontier between the plan and the market certainly does not run between made-to-measure and ready-made suits.

"Of course, the market, commodity production, exist when the goods are produced to be sold, to be exchanged, and not for use, and this remains true whatever the degree of vertical integration of the process of production of this or that good."

(Alec Nove, "Mandel on Planning — Markets and Socialism," *New Left Review* 161, January/February 1987.)

But even words like "sale" or "purchase" may cover different operations. On the whole, Mandel stresses precisely the tendency for forms of planning increasingly to penetrate and moderate the spontaneity of the market. This was, in fact, one of the characteristic features of the long postwar boom of capitalism. But it is precisely the overall dynamic which must be evaluated. The economic crisis, or more accurately the two types of economic crises in the two systems, have acted as a revelator. If you look at the overall dynamic of the capitalist system in crisis, you can see to what extent it is still dominated by *ex post* regulation, through the market, through bankruptcies and through unemployment.

Three models

For the sake of this necessary process of terminological clarification, we will distinguish, along with Brus, three major "models," each one of which displays significant differences in the role of market mechanisms. They correspond to three types of economic systems which have really existed or were proposed at one point or another in the so-called socialist countries.

a) Bureaucratically centralized planning (lecture 1)

These are the systems in which money plays a passive role. Prices are formed by the planners. One could argue that, in theory, the methods and criteria used by the planners in price formation are not arbitrary. In fact, specialists have debated this point quite extensively. But in practice, the lack of real transparency about the labor actually expended in the Soviet economy means that prices have often acquired a high degree of arbitrariness. At any rate, the notion of passive prices does not necessarily imply arbitrary prices, except in the mind of economists who believe the only possible prices are the "true" market prices.

This first model corresponds to the planning system in effect in the USSR under Brezhnev. It has existed, with variations and historical specificities, in all postcapitalist societies, from Vietnam, through Eastern Europe, to Cuba. It was the basic reference in all so-called socialist countries until reforms were attempted (in general in the 1960s). In some cases, as in Czechoslovakia after the Soviet intervention, it was restored after the reforms were reversed. It is the model which the Polish regime has been trying to reform since the 1970s. (Price changes had caused riots in Poland before the advent of Solidarnosc). Even Rumania, despite its overtures to the outside world, remains totally centralized.

This model is compatible with the existence of specific economic circuits where money plays a more "active" role (that is, where prices influence the economic decisions of the "agencies" involved). For instance, there exists a partial recourse to market mechanisms in the distribution of the labor force, since workers are free to choose their job on the basis of the more or less attractive level of wages, among other factors. Likewise, in the sector of consumer goods, one can purchase items freely with one's wages, the only limit being the short supply of these items. But this does not mean that supply and demand operate freely to determine the choices of production. Nor does it determine which sector, the private or the state sector, should produce what is missing. Once again, this — the insufficiently "active" role of money and of the market — is precisely where certain reformers find fault with the system.

This model is also compatible with non-market-oriented reforms designed to improve its efficiency. In East Germany, for instance, reforms have been introduced to change the indexes used to measure performance, to create new channels between the center and the firms, and to allow for the signing of contracts between firms after validation by the plan. Of course, the particu-

lar type of political system which implements this model can also make a big difference in how it operates.

b) The use of market mechanisms by the plan (lecture 2)

This second model enables money and prices to play a more active role — yet without the "law of value" becoming the regulator of the economy. We will see in lecture 2 that what this model actually involves is the use of market mechanisms by the plan — not the pre-eminence of the market. That pressures in favor of elevating the status of the market exist in this model, is another matter. The model can be implemented without workers self-management, as it was in Hungary in the 1960s, or with workers self-management, as it was in Yugoslavia from 1952 to 1964, before "market socialism" was introduced. This model also inspired the reforms put forward by Soviet economists Liberman and Trapeznikov in the 1960s, implemented in the USSR under Kosygin from 1965 to 1968, and taken up by Ota Sik in Czechoslovakia and Wlodzimierz Brus in Poland around the same period.

For the time being, the reforms now being proposed in the USSR belong to this category of reforms too. To summarize what they are about, we could say that this model combines the supremacy of centralized planning (which has, until now, been bureaucratic, but need not be) over strategic development decisions with more room for decentralized initiative on the basis of market relations (in the sense of "purchases and sales") in other spheres. In this set-up, the decisions of firms are influenced by the pricing system because they must operate on the basis of an economic calculation of costs and profits. Precisely who in the firm decides is another matter; we will examine examples both with and without workers self-management. But this does not mean that the prices on the basis of which the calculations are made are free market prices reflecting the law of value. Nor does it mean that the major investment decisions obey this law.

c) "Market socialism" (lecture 3)

In theory, this third model aspires to restore the full coherence of the operation of the law of value — its automatic responses and criteria. We will see in lecture 3 that the only case where such reforms were actually put into practice was in Yugoslavia, during one of the different reform periods, between 1965 and 1971. But this model is advocated by various "experts" and "advisers" in Eastern Europe, most notably in Yugoslavia, in Hungary and in Poland by the TTK (executive committee) of Solidarnosc. It is also the logic behind the proposals of certain Soviet economists, such as Shmiliov. In any case, one should distinguish the decision to have a reform from its actual implementation.

Our lectures are organized according to a typology of postcapitalist societies based on the various functions performed by the plan or market mechanisms. This is a useful approach to grasp the common socio-economic contradictions of all postcapitalist societies. But it is not sufficient to interpret the relations between the rulers and

the ruled, and to understand the different obstacles against which the reforms have run up in each of these countries.

To conclude: Economics and Politics

These lectures will only mention in a most elliptical fashion the way in which politics influences the potential of the reforms. Nevertheless, the full importance of the political factor must be understood if we wish to avoid a reductionist approach.

□ On the one hand, the reforms discussed here have never been tried in combination with the fullest political democratization at all levels. As a result, the ability to master the socio-economic effects of the reforms was considerably reduced.

□ On the other hand, even though all so-called socialist countries are ruled by a one-party system, the relations between the party leadership and the population are not the same everywhere. This has an obvious effect on the degree of obstruction encountered by the reforms and the audacity of the reformers themselves. In general, one should distinguish the regimes brought to power by a popular revolution (Cuba, Yugoslavia, Vietnam, Mao's China) from those where the rulers have been designated by a crystallized *nomenklatura*. Moreover, both the process of bureaucratization and the process of destalinization have had a different profile in each country, and each national bureaucracy, even the most loyal to Moscow, has sooner or later sought to develop its own roots and legitimacy. Kadar in Hungary is not the same as Ceaucescu in Rumania. The problems of bureaucratization and bureaucratic government (one-party rule) cannot be reduced to the question of Stalinism. The experience now underway in the USSR emphasizes the fact that a bureaucracy can develop different policies and methods of rule, even in the same country (Stalin ≠ Khrushchev ≠ Brezhnev ≠ Gorbachev ≠ Ligachev, etc).

In line with this remark, the goal of the present lectures is limited. Their point is to clarify the major stakes and contradictions of the planning and market systems experienced in the so-called socialist countries, not to provide a substitute for the necessary study of each experience in all its historical and political specificity.

Until now, all attempts at reform of bureaucratic planning have ended in failure. There is much to be learnt from this. Unfortunately, it seems that each new turn in the so-called socialist countries is immediately accompanied by new justifications, new state truths which sometimes praise the very things which, only a few weeks earlier, were denounced as "anti-socialist deviations."

This is particularly harmful because nations who wish to escape the logic of capitalist development, without closing themselves off to the world capitalist environment, desperately need a critical review of these experiences. What is the best way to advance against the stream of world trade, towards a socialist goal, without living in autarky? Can one borrow some mechanisms of the capitalist system (such as the logic of profit as an incentive and a criterion for the orientation of economic

development) without being saddled with all its evils? Can the market and its laws be introduced and given a socialist content?

These questions were already at issue in the debates about the NEP in the USSR of the 1920s. Stalinism closed these discussions and brutally interrupted the NEP. It is therefore necessary to unearth the real content of these discussions and evaluate them in light of the experience since then. This is what we shall do in lecture 4.

From what angle should one approach these problems? Alec Noye [3-1983] has declared a war on the use of Marxist concepts in the study of "really existing socialism." He also blusters against those who identify as Marxists and naively view socialism as a society without conflict or complex choices. While Noye is thus able to avoid dogmatism, his investigation rapidly becomes a description which, although often fascinating, provides no real criteria for forming a critical judgement — except a short-term one, namely that this or that reform has "worked" to a greater or lesser degree. Since he has pledged to remain within the confines of the "feasible" (which we also think is important) but without being guided by any vision of "utopia," his critical edge is dulled. He does not raise the question of whether the market is socially neutral, that is whether it is a "mechanism" compatible with any social relations.

In trying to deal with these questions, we have been guided by one postulate only: the belief that the communist perspective makes sense only if it means the emancipation of "each individual and therefore of all."

To avoid getting lost in the maze of different situations and preserve one's critical spirit, to develop criteria which are objective but not dogmatic, it is necessary to keep in mind the goal towards which one is striving — provided one thinks it is worth the effort — namely the withering away of all classes, privileges and relations of oppression and exploitation. We should note here that this does not mean a uniform, conflict-free or even easy to manage, society. The theoretical hypothesis that this emancipating goal remains relevant today can be grounded only in a common analysis of the contradictions of both the capitalist and postcapitalist systems.

In other words, we will not adopt a dogmatic approach that argues: "Marx said" that there could not be socialism with a market, "therefore" we oppose market reforms because they take us away from socialism "by definition." On the other hand, we will not bend to the reverse intellectual terrorism which commends market reforms *a priori*, in apologetic, a-critical fashion, as "undogmatic." We will follow Marx only — but that is quite a lot — in adopting the method which grounds the emancipating perspective in a critical analysis of the contradictory social relations of a given society — whether this society was foreseen by Marx or not, whether it be capitalist or socialist, a "state" or a "market" society.

This is the thread that will guide us through the following lectures. ■

Social Relations Under Bureaucratically Centralized Planning

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Outline

Introduction: The structural problems

1. Main features of the system,
2. Bureaucrats and the plan,
3. Workers and the plan,

4. Relations between workers and bureaucrats
5. "Social content" of the bureaucratically centralized plan
6. Unresolved problems or why have reforms?

The basic problems of bureaucratic planning are well-known. They have been described by the new Soviet leaders themselves. Mikhail Gorbachev laid them out in his book *Perestroika and the New Thinking* [5-1987], which his adviser, Abel Aganbegian, complemented with *Perestroika, le double défi soviétique* [5-1987]. This lecture will focus on the case of the Soviet Union. But similar structural problems are found beyond its borders, everywhere Soviet planning served as a model.

The structural problems

a) The first is the tendency for a long-term decline of the growth rates of national income and productivity — with a concomitant increase of costs. (See table on next page). These long-term trends are compatible, as indicated by the tables, with fragile recoveries associated with short-lived attempts at reform (as in the late 1950s and between 1965 and 1970).

Note that gross national product figures do not reflect widespread product defects and waste. In fact, problems of shoddy quality and inadequate variety of goods and services are chronic.

Nevertheless, the standard of living rose steadily until the mid-1960s; many Soviet homes acquired durable consumer goods; food imports were able to make up for shortfalls in Soviet agriculture (see table). "Parallel" jobs (moonlighting) were tolerated and filled the gaps left by the planning system (repairs and services).

But as time wore on, the negative side-effects of this mode of economic growth grew more severe: increased wastefulness, rising inefficiency of the "legal" work, eroding morale, etc. In addition, industrial development and the steady rise of incomes aroused new sorts of demands from the younger generation that had not experienced the hard times and sacrifices of their parents. These aspirations were further stimulated by comparisons with the situation in other countries.

b) On the whole, the Soviet economy has not been able to make a clean break with the methods characteristic of "extensive" growth (that is operating more and more mines, opening more and more construction projects and factories, cultivating more and more land, employing more and more workers on more of the same

equipment). Every attempt at reform since the 1960s set itself the goal of a transition to more "intensive" growth (by improving the productivity of existing units), but no avail. Each time, the need to reduce wastage and shortages and improve the quality and variety of goods was reaffirmed with a salvo of new slogans. These were also the initial goals of the reforms introduced in Czechoslovakia, leading up to the Prague Spring. The same problems were posed again when Hungary, Yugoslavia and China tried out the reforms.

Change became more imperative in the USSR in the 1980s as full-employment and the trough in the population curve — caused by the decline in childbirths during World War Two — closed off the possibility of further growth through the hiring of new workers. At the same time, natural resources were tending to become exhausted for both economic reasons (wasteful and backward extraction methods) and physical reasons (the need to drill in ever more remote areas at increasing short-term costs). Moreover, the multiplication of new work sites in the previous period meant that much of the equipment was wearing out or becoming obsolete at the same time, a potentially critical problem.

c) Shortages and bottlenecks in production are one of the features of the rigid planning model in effect in the USSR. Brezhnev had succeeded in softening their impact in the 1970s by a policy of large-scale imports. This ineffective substitute for reform very rapidly ran up against a series of problems: inability to export sufficiently (because of poor competitiveness or shrinking markets due to the world crisis); United States vetoes on the import of technology considered of strategic value and the ups and downs of embargoes on cereal shipments; and, more fundamentally, the difficulty of incorporating Western technologies in a conservative economy and the problems of the growing foreign debt.

The experiences of other East European countries (particularly the relative efficiency of the German Democratic Republic) show that the magnitude of the shortcomings of Soviet planning must have had specific causes — sharper crystallization of bureaucratic structures, lasting crisis of agriculture as a result of forced collectivization, the enormous size of the country which, in a system which seeks to set every minute

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detail, widened the gap between the goals set by the plan and actual performance, etc. Nevertheless, this sort of problem was common to all countries applying this planning model, and has been ably described by the Hungarian economist Kornai in his book, *The Economics of Shortage* [5-1980].

d) A combination of shortage of labor power (meaning no unemployment) and "over-employment". We have put quotation marks around the word over-employment to emphasize that the problem is usually posed in misguided fashion. "Over-employment" is generally used to refer to the fact that Soviet firms hire many more workers than capitalist firms to achieve the same output. The criteria used to decide the "correct" amount of hiring are implicitly drawn from the capitalist model. This is, to say the least, not a satisfactory approach. But the point is to focus attention on the fact that a large number of working hours or of production periods are not actually worked, or that a given output could be achieved with fewer workers. More

generally, full employment does not necessarily mean best employment, neither in terms of having the tasks at hand performed by the existing recognized skills, nor in terms of the general balance in the distribution of social work among all industries. The whole point of the debate is precisely to decide what criteria should be used — and how to substitute them to the existing criteria.

But before moving on to this debate, we should try and uncover the deeper roots of the features sketched above. We shall seek these roots in the existing social relations, not only inside the workplace but in society as a whole. For at bottom, it is the — real, not just juridical — "property relations" and the values attached to them, which shape the particular contradictions of this planning model.

A remark is called for at this point. After the October revolution, the Bolsheviks — all tendencies included — identified both the state sector and plan as "socialist." They were referring, as Lenin pointed out [see the introduction of this notebook], to their goals, not to a full-blown reality. When Stalin decreed that socialism had

Economic Performance of the USSR

Soviet economic growth indicators 1950-1984
(yearly rate of growth in percentage)

	1951-55	56-60	61-65	66-70	71-75	76-80	81	82	83	84	81-85
National income	11,2	9,2	6,6	7,2	5,1	3,7	3,2	3,5	3,1	3,1	3,3
Industrial output	13,2	10,4	8,6	8,5	7,4	4,5	3,4	2,9	4,0	4,4	4,7
Agricultural output	4,1	6,0	2,4	3,9	2,5	1,7	-2,0	5,5	5,0		2,5
Gross investment	12,3	13,0	6,3	7,3	7,4	3,4	3,0	3,5	5,0		2,0
Labor productivity [in industry]	8,2	6,5	4,6	5,7	6,0	2,8	2,7	2,1	3,5	4,0	4,2
Per capita real income			1,7	5,9	4,4	3,4	3,3	0,1	2,0	3,1	3,1

Economic Structures and social indicators

	1950	1980
People employed in manufacturing/construction, as % of the active population	27,0	38,0
" " agriculture	48,0	20,0
Manufacturing's contribution to the formation of the national income in %	57,5	46,4
Construction's " " " "	6,1	9,7
Agriculture's " " " "	21,8	20,3
Production goods as % of total gross industrial production	68,8	74,9
Share of the national income allocated to investment	23,9	26,8
" " consumption	76,1	73,2
Per capita consumption of - meat and meat products (kg)	26,0	58,0
" " - bread products (kg)	172,0	136,0
" " - potatoes (kg)	241,0	110,0
Number of units per 1000 inhabitants - refrigerators	10,0 (1)	270,0
" " - television sets	22,0 (1)	287,0
Medical doctors per 10 000 inhabitants	14,6	40,4
Secondary school students per 10 000 inhabitants	71,0	251,0

(1) in 1960

[Official Soviet source: *Narodnoe Khozjajstvo SSSR v... godu*, Statistical Yearbook of the USSR, various years]

Note : We have provided statistics from 1950. We have not provided figures for the previous period because of the inexactitude of Soviet statistics of the Stalinist period. The latter had a tendency to amplify an already high rate of growth or to give a deformed view of the economic structure. The Soviet notion of national income corresponds to what we might call "net national product;" this aggregate includes the sum of the material goods produced and services rendered (commerce and transportation, minus the "intermediate consumption," that is, the value of the products used during production (it is a sum of "added values"). "Non-productive services" are excluded; that is why the structural data indicating the respective contribution of various sectors to the formation of the national income downplay considerably the so-called tertiary sector.

(From Henri Denis et Marie Lavigne, *Le problème des prix en Union soviétique*, Paris : Cujas, 1965, cited in M.Lavigne et A. Tirapolsky, *L'URSS, une économie socialiste*, Paris : Hatier, 1979.)

been achieved in the late 1930s, he made the initial problem worse: he actually identified socialism with state planning or, worse yet, nationalization with socialization. This is not our approach. However, simply stating that the USSR is not socialist does not mean that everything about Soviet planning can be explained by the existence of a bureaucracy, if only because several types of bureaucratic planning are possible. It is therefore necessary to be as precise as possible about the mechanisms and social consequences of this first model.

1. Main features of the system

Every planning system must in one way or another perform several necessary tasks; it must:

- evaluate existing resources;
- identify needs and determine what to produce;
- control the implementation of its choices.

a) In the system discussed here, all these functions are performed by bureaucrats — functionaries of the planning institutions at different levels (workplace, ministries, central bodies) of the party/state. The “associated producers” cannot control directly the major choices made by the bureaucrats, whether at the overall level of national development or at that of the workplace. This is why we do not call this model “socialist planning.” Alec Nove [3-1983] waxes ironic about the “leftists” who criticize “really existing socialism” in the name of Karl Marx’s writings which make no mention of bureaucracy. He stresses the functional need for some bureaucracy, or more broadly, for some division of labor requiring the learning of specific skills by some and not others. (In other words, inverting Lenin’s famous dictum, any housewife could not run the economy).

But the real issue is precisely: 1) to determine which are (in the light of experience) the functions more efficiently performed by functionaries than by the producers or users directly affected; and 2) to distinguish professional assignments from decisionmaking power over the major social and political issues.

When functionaries assume all the tasks listed above (inventory of resources, determining needs, checking implementation of decisions), they do not behave as mere neutral cogs in a giant well-oiled machine. The question therefore arises whether and how the social interests of the bureaucrats as such interfere with planning mechanisms; if so, how this interference affects the satisfaction of needs in the broadest sense, and how it should be judged.

b) In this sort of model, planning is mainly calculated in kind — on the basis of material estimates (tons of coal, number of tractors, etc.) The results and track record of each plan are used to elaborate the next plans, through adjustments. The consequence is that excessive zeal leading to overfulfilling targets of the current plan will become the norm imposed by the next plan. Producers prefer to deliver any excess production

downstream sooner or later over the period of the next plans. This phenomenon has been described as characteristic of a “supply-dominated” economy. The formula describes a reality. We shall merely note that this analysis is often coupled with the illusion that, by contrast, a market economy is dominated by “demand” (as the saying goes, the consumer is king). In any case, what is true is that demand embodied in cash does play a role in market systems, but very little, if at all, in the Soviet model.

c) The plan is imposed in hierarchical fashion. Every detail is determined in light of the proposals and balance sheets of the units and the overall goals of the planners. The latter, of course, try to harmonize decisions. But the central planning bodies are hierarchically subordinated to the bodies of the Party and have as their priority certain socio-political goals: stabilizing their own political legitimacy, containing any social tensions which may have appeared, insuring the international power or multinational cohesion of the country. These are all issues that count in the drafting of a new plan. Plans, therefore, cannot be interpreted merely as the sum of the proposals emanating from lower-echelon units — nor are they the product of some “economic logic” (producing for the sake of producing).

d) Once adopted, the plan is imposed in the form of detailed goals for each unit, industry, region, etc. The links between the different production units are compulsory (supplies and means of production are allocated by the plan and units are grouped in the framework of industries, combines, etc.)

One of the problems periodically raised in planning is to find the “right” relays between the central bodies and base units. Mainly vertical links (throughout a given industry) have the disadvantage of compelling firms to go through the center (often quite far away) to obtain authorization to change partners (suppliers, clients, etc) in another industry (even when the latter firms happen to be located next door!). The introduction of territorial relays (the *sovmarkhozes*) in place of the industrial ministries, under Khrushchev, was designed to solve this problem. It is not merely a technical problem: certain categories can develop particular interests and crystallize them around their ministries, urging the latter to compete for the largest amount of resources to be allocated. On the other hand, more regionally-oriented groupings run the risk of creating “localist deviations.” One of the fundamental aspects of proposals for reform may then be to eliminate intermediaries between the central bodies and base units. This is one of the non-market-oriented dimensions of the reform now being implemented in the Soviet Union.

e) Indexes, predominantly calculated in kind, are the chief method of verification of the implementation or surpassing of the plan.

The damage caused by the notorious crude output index are well known: if output is measured in kilos, the heaviest raw materials will be preferred. If it is measured

in prices, increasing costs will make it possible to outdo the plan. On the other hand, if the index is based on cost reduction, the final product is likely to be devoid of the most elementary features of usefulness. To circumvent this problem, hosts of new indexes — and checks — have been created in the hope of “cornering” the base unit in this game of hide-and-seek.

The jokes circulating about this problem pinpoint the evils of the system far better than the most learned lecture.

For instance, an inventor has just presented his agricultural firm with a clever new device: a two-headed calf! But, the others object, that will not increase the amount of meat we produce! Never mind, he answers, the plan is measured in calf heads.

f) Money and prices perform a different function depending on the circuit in which they are used.

- The various domestic prices are, on the whole, not hitched to world prices.

- In foreign trade, exchanges with capitalist countries are paid in convertible currencies. Exchanges with so-called socialist countries are bilateral and in kind, even when a price tag written in an accounting currency that does not circulate, is attached.

- Within the planned sector of the economy, the monetary evaluations performed after products are allocated from the center — all production is eventually allocated — to record the circulation of these products are not real acts of “purchasing” and “selling”. In this framework, the index of a firm’s “turnover” (in wholesale prices) is the accounting equivalent of its gross output. For a long time, means of production allocated to firms “free of charge” were not taken into account in these evaluations. This tended to encourage waste and ruled out real cost calculations of alternatives to the use of this particular equipment. Firms designed their accounting only to control “circulating capital” (the wages paid out and the replenishment fund). The accounting currency of the state sector does not circulate and cannot purchase means of production which have not been allocated to the “purchaser” by the plan. This is why base units are haunted by the fear of “shortages” and tend to ask for more than they need or hide the resources they have or set up parallel supply networks.

It is clear that in this sort of system, wholesale prices must be distinguished from retail prices.

- Wholesale prices are accounting instruments designed to reflect costs and average “profit” margins — in a framework where profits and losses are planned on the basis of the least productive unit still deemed socially useful. We already pointed out that, in practice, every new work site and equipment is always considered useful — in a situation where quantitative indexes are the deci-

sive proof of the healthy development of the system. Any loss is therefore always covered by the plan. Prices do not play an “active role” in production. There is no genuine measure of costs nor compelling “budgetary constraint,” the economist Kornai has stressed: base units do not decide to produce this or that good or service, on the base of price and cost indications. Nor does the circulation of a product from one unit to another modify the income distributed. Incomes are not really affected by profits or losses.

- Retail prices of consumer goods are not formed on the market when the goods are delivered by state stores. But money does recover another content in this framework. Consumer goods are the only goods which are actually “purchasable”. Their prices embody the social goals of the planners. They reflect neither the real costs (they are therefore not linked to wholesale prices), nor the relationship of supply and demand: consumer goods and common services remained quite cheap for decades even though their supply was inadequate. This is the explanation for the long waiting lines in stores. Many economists call these lines “hidden inflation” (by contrast, in a market system, when production does not meet demand, prices increase...) The only solution the Polish authorities have found to reduce the length of the lines, has been to increase prices... but still, without any guarantee that supplies would improve!

g) Employment and wages for work performed are conditioned both by the plan and by the fact that workers are free to choose their workplace. The plans try to incorporate forecasts of employment, broken down according to skill levels, and norms for the payment of the workforce. But to fulfill their part of the plan, the heads of the various production units must be able to attract workers and hold on to them (through attractive wages and benefits in kind). They do not have the right to lay off employees for economic reasons — unless they are willing to go through the procedures of a law with which it is so difficult to comply that, in the end, the worker is not laid off in practice. (Firing for political reasons, using a variety of pretexts, is another matter. The practice, however, is only marginal on the scale of the economy.) Workers are quite mobile when they are dissatisfied with their job and looking for a new one. This is a very specific system which is a key link in the social relations associated with bureaucratic planning.

2. Bureaucrats and the plan

a) Our methodological starting point is that property rights are not relations between people and things, but between people. The property rights in effect in the USSR shape social relations and behaviors in production and exchange. Here too, people’s behavior is guided by a definite rationale, namely that each social category defends its material interests, but within the framework given by the system as a whole. This is the key that opens the way to an interpretation of the characteristics of bureaucratic planning free of metaphysical

explanations (such as strength for strength's sake or production for production's sake).

b) What are the bureaucrats' material interests in the plan? How can they best advance them?

The material interests of the bureaucrats flows from the social (political) position which they occupy — and from the successful performance of their functions, in line with the dominant values and mechanisms of the system.

The degree of freedom to be found in the social environment depends on the period, of course. In the USSR under Stalin (and in some countries today), particularly cruel forms of bureaucratic dictatorship prevailed. Direct repression played a central role. But what we are trying to come to grips with here, is the "normal" operation of bureaucratically centralized planning system. For it is important for the bureaucrats themselves, to build up forms of legitimation and "normal" social relations that can stabilize their privileges for some time. The era of Brezhnevism is the "model" of bureaucratic conservatism that we have in mind in this analysis.

The *nomenklatura* is promoted and demoted by its peers on the basis of eminently political criteria — the decision being legitimated in the name of the workers. To be promoted, a bureaucrat must at once overfulfill the targets of the plan — as defined by the criteria and methods discussed above — and maintain social peace: those in whose name he rules must remain quiet and work to outstrip their assigned target. The point is not to surpass the targets set by the plan as such, but rather by those parts of the plan (relating to a firm or an industry) on the basis of which privileges can be obtained.

The goal is privileges. These material privileges increase as one rises in the hierarchy. *Datchas*, special stores, travel, preferred ranking on waiting lists for the delivery of rare or better quality goods and services, etc. Indeed, the only goods whose purchase is allowed by existing property rights, are consumer goods. Economic management is therefore worthwhile only insofar as it provides access to consumption privileges (apart from the psychological interest of holding a responsible positions, or, in some cases, wielding a parcel of power).

c) But how is "good" economic management judged?

By the indexes in kind mentioned earlier and through bureaucratic checks that the targets have been reached or overfulfilled. This leads to a hide-and-seek game between the central planning bodies and those in charge at each lower echelon. Indeed, how is the lower echelon to overfulfill the targets of the plan (and earn additional personal status, promotions and privileges) without bringing such pressure to bear on the workers that social peace is threatened? There are only a few methods:

• When making the inventory of resources, underestimate and hide those available to create reserves.

• When setting targets, set them as low as possible, because targets set too high make overfulfillment more difficult and risky.

• When ordering, ask for the largest possible

amount of new material and human resources.

• Fulfill the plan (that part of the plan for which you are responsible) in a way designed to pass the checks, formally, superficially, without regard for the users (whether production units or consumers). One thousand tractors are required? It is enough that they should look like tractors. An index checks that each one has a motor? All right, but the motor may not run very well. Never mind either that the tractors are then parked outdoors and begin to rust in the rain.

• Build up stable networks; obtain repetitious plans whose fulfillment you have completely mastered.

These are the "good" conditions that make for success. Any change is laden with uncertainties, a potential source of problems.

Bureaucratic conservatism can be explained easily on these bases. It does not necessarily imply that the bureaucrat does not care for his job (a point stressed by Kornai). His apparent lack of professional pride must be analyzed in the context of a specific social position: that of a social layer enjoying material privileges thanks to its privileges in the realm of power.

d) This makes many of the features of bureaucratic planning mentioned earlier understandable.

The more intermediate levels exist between the central bodies and the units in charge of implementing the plan, the more "biases", the greater the gaps between the information transmitted and reality, the harder to undo the rigidities. The overall tendency at all levels is to waste the means of production: the unbalanced development of department I (production goods), after having been a goal, becomes a result of the very planning mechanisms, then of the lobbies that develop.

- The more a particular production can be standardized, the easier it can be checked with simple quantitative indexes: steel sheets raise less problems than more elaborate manufactured goods. Growing cereals does not incur as many problems as raising cattle. In general, the more know-how and human responsibility are needed for a particular production, the more harm is done by the bureaucratic nature of the plan. One can easily imagine to what results imposing a particular crop on farmers, independently of the knowledge of the climate, climatic evolution and ecological balances, etc, will lead. The transition to the production and use of new technology requires the mobilization of the skills beaten down by the bureaucratic mode of production. The mere use of computers in planing can be a source of major disasters if the data transmitted to them are not reliable.

Finally, producing identical standardized production goods is one thing. But when this method is applied to consumer goods, discontent emerges very fast.

It is easier to produce one million blue dresses with white polka-dots, all the same size, than to diversify.

The hitch is that once their basic needs have been

satisfied, people become more demanding. Fashion and the right to be different are among the issues to which today's Soviet youth is most sensitive — and pressure from the Western style of consumption is not the only factor here.

e) Finally, are bureaucrats the owner of the plan?

• On the juridical level, the answer is simple: No.

There is no transmittable property, no shares distributed according to one's hierarchical position, no right to "sell" any part of one's pseudo-property, no closing down of one factory to buy another. "Social property" belongs to "everyone" and therefore to "no one", the Yugoslavs like to explain.

• But on the level of the actual control of the social surplus, of the economic management of this surplus and its real appropriation, the answer to the question is more complicated. We believe it is at once: yes and no.

+ Yes: insofar as the bureaucracy collectively manages the surplus, it acts as a collective owner. Theories which designate the bureaucracy as a class often stop at this aspect of its position.

But this is only one part of reality. Juridical rights condition the relations between people in production. There is of course a discrepancy between these juridical rights and reality — the former are often used to camouflage the latter. Nevertheless, they reflect the regime's concern for political legitimacy by harking back to its origins: the October revolution. They cannot be dismissed as merely worthless pieces of paper. The elimination of capitalist private property and the domination of the market really created new foundations in which new socio-economic mechanisms have sunk deep roots.

+ No: bureaucrats do not behave as real owners because they are really not. They manage "a social property" which does not belong to them, in the name of the workers. They would like to legalize their privileges and be able to transmit them. There is, of course, a tendency for the self-perpetuation of the bureaucracy; under Brezhnev it reached the point of caricature as a gerontocracy based on the *nomenklatura* emerged. But even in that case, the stability of this layer was not achieved on the basis of an extension of property rights: this *nomenklatura*, with its array of weapons against an atomized working class, unprotected by rights to independent organization, never attempted to re-establish the right to fire a worker and a real capital market, to stabilize its economic domination. In fact, if things were actually to evolve in the opposite direction, that is towards re-establishing the rule of the commodity, the stability of the *nomenklatura* would be undermined. The sort of instability triggered by the purges connected with the attempt to introduce reforms, is an indication of what would come. Bureaucrats have no right to use surplus labor freely in their personal capacity: all they can draw from its management, is consumption privileges. They have no capital which they could invest and on which they could draw profits. This is why they do not really care about the plan as such. Their attitude to the means of production? Waste them. Their sole concern is to

produce, at any cost and regardless of the quality of the product, insofar as it will consolidate a political position which is a source of privileges for them.

The theoreticians of the School of Property Rights who analyzed the behavior of bureaucrats (and, for that matter, of all managers who are not owners) concluded that waste is necessary for quite "rational" reasons (managers must protect their own interests before the interests of those by whom they have been empowered). If the owners controlled the operation, they point out quite rightly, things would be different. But instead of concluding that what is needed is social control over social property, they remain prisoners of their frame of reference: capitalist private property in the context of competition for profit on the market. They are right on two points: bureaucrats, who have usurped and become prisoners of a juridically "collective" property which they manage in the name of the workers, do not have the same management behavior as owners (who hold exclusive decision making powers and the right to transmit their property). We will see that this involves a structural element which cannot be dissolved by the mere partial reintroduction of market mechanisms: only an extension of private property, of capital and labor markets, could change things in this respect.

3. Workers and the plan

a) As indicated at the outset, bureaucratic planning, although labelled "socialist," provides the workers with **no decision-making powers**, whether over the major orientations of production or the organization of labor.

From this standpoint, one can say that they are employed by the state in a wage relationship which obviously displays certain common features with the capitalist system. This is the kernel of truth in theories that describe this system as "state capitalism". But that relationship is not sufficient to demonstrate that the system has the social relations and laws of development of capitalism.

On the whole, one can say that the alienation of labor still exists — springing neither from the market nor any phenomenon analyzed by Marx, but from a new source: the bureaucracy. (See the chapter on alienation in E. Mandel, *The Formation of the Economic Thought of Karl Marx* [2-1977]; and the many articles in the Yugoslav Marxists of the review *Praxis* listed in part 2 of the bibliography).

b) But something else has happened: the **domination of the market has been eliminated**. In socio-economic terms, this has meant that the proletariat is no longer exposed to the threat of economic lay-off, a clear advance. Although its wage is still counted in money and exchanged for commodities, one can no longer, properly speaking, characterize labor power as a commodity. The "classical" mechanisms used under capitalism to impose the intensification of labor through the threat of unemployment, have basically been eliminated.

This is precisely one of the most hotly debated issues of the reforms.

c) The bureaucracy rules in the name of the workers. The role of the labor force in the production process — and in the dominant values — has changed. Recognizing this fact in no way implies an underestimation of the bureaucracy's will (and ability in certain periods) to intensify the pace of workers' labor and the surplus they produce, at the expense of their standard of living. Nor does it imply a stable situation — let alone that the workers' real situation corresponds to what is proclaimed in the Constitution. But the gap between the official status and reality has a price: it is maintained at the cost of political and social crises. The workers, although denied the right to independent political and trade-union organization, do not perceive the bureaucracy as the legitimate owner of the means of production. Gorbachev repeats over and over in his speeches that workers should "feel masters in their own home," the real owners. All this, although it is in large part a matter of words, is not neutral.

d) The more centralist and commandist the system, the more workers' protests, however small, take on the dynamic of a political challenge. With the elimination of the market, the veil is lifted and economic choices appear in their true light: as choices about the direction of society, that is political choices in the broadest sense of the term, taken by people in power, in the name of "the people as a whole." Strikes naturally and rapidly take the seat of bureaucratic power as their target and are therefore particularly difficult to tolerate. Conversely, the extension of commodity relations tends to make economic conflicts more opaque (the market and local managers, rather than the central planners, then appear to be responsible for changes in wages and prices and for the economic choices made). As a result, the bureaucratic system tolerates strikes more readily: under the Yugoslav self-management system, at least until the 1980s, thousands of strikes were waged against local targets. Conflicts retained a political aspect since the managers remained political functionaries, but their subversive dynamic was defused and blunted by decentralization. We can be sure that the "higher ups" have taken careful note of this interesting phenomenon.

e) Workers and the bureaucratic plan

The position and attitude of the workers is determined by the overall context of elimination of market verdicts/bureaucratic planning mechanisms/lack of social control over the choices made/and rule of a bureaucracy in the name of the workers. The main freedom reconquered by workers since Stalin's death has been the right to choose their job, and therefore to change jobs.

Extensive economic growth uncensored by market verdicts brought full employment. What was initially the socio-economic result of planning mechanisms has become a right that will not be relinquished without a fight — a right which the political bureaucracy subsequently turned into an argument "proving" the socialist

character of its rule. In any case, it is now one of the key factors in the social balance of forces both inside the workplace and in society as a whole.

- In society as a whole: it comes out in speeches by Soviet officials opposing the recommendations of experts who advocate the reestablishment of unemployment. It is at stake in every attempt at reform — the question of employment is now a central political issue in discussion of these reforms.

- In the workplaces: to fulfill the plan, the bureaucrats need labor power which has become hard to get. They must come up with sufficiently attractive offers to recruit and hold on to workers: as a result, under Brezhnev, the large concentrations of workers were able to obtain not inconsiderable wages and material benefits (such as services, the production of needed consumer goods in the workplace, etc). In addition, this made it possible for workers to exercise some control over the pace of work — albeit with the imperative of speeding things up on the eve of the deadline for fulfillment of the plan, known as the "bicyclist's syndrome" — over the norms and ultimately over the distribution of incomes. Out of this, the working class in large workplaces developed a sort of egalitarianism and distributive norms with little connection to actual work performed. These have now become the butt of the criticisms levelled by pro-Gorbachev reformers in the name of the principle "to each according to their labor," an anti-egalitarian interpretation of the slogan.

This also helps to understand the connection between the absence of market reforms and the failure of the SMOT (an attempt to create a free trade union) in the USSR in the 1970s under Brezhnev. Workers could find certain informal methods of defending their interests within the mechanisms of bureaucratic planning itself. In some cases, a convergence of interests — albeit conflict-ridden — could emerge between local bureaucrats and workers trying to fulfill the plan — in demanding the largest possible amount of resources be assigned to them, for instance. The elbow-room conquered by the workers (absenteeism, slower pace of work, etc) must be interpreted as the revenge of alienated labor. It is the price which the bureaucratic system must pay when it grants the workers only negative powers. Indeed, all constructive attempts to reduce waste and fight incompetence have been given the run-around in the waiting rooms of the hierarchy; in the best of cases, they ended in a dead-end — in the worst, in psychiatric hospitals.

A system of this kind fosters passivity, disinterest, cynicism, individual attempts to make it, and alcoholism. Why waste one's time trying to meet the formal indexes of the plan? Why not apply one's efforts instead to moonlighting or working for oneself with a good chance of earning more than at one's regular job? There is a joke — not really funny — about the construction worker who installs faucets during his "legal" workday (they look like faucets, but actually never stop leaking), and comes around at night for a fee, to repair them.

The suffering caused by useless toil and a job badly done, by seeing means of production wasted, suddenly comes to the fore in periods of crisis when it appears

possible to overcome the obstacles. The demand for social control over production and distribution then emerges rapidly.

In other words, the low productivity of labor is a result of relations of production in which labor power is no longer a mere commodity, but does not yet wield the power to decide for what purpose and how work shall be performed.

4. Relations between bureaucrats and workers

What sort of relations exist between these two categories then?

We have already mentioned the existence of alienation — work performed outside the control of the worker. Should one also speak of the existence of exploitation?

If the term is not used to designate only capitalist-style exploitation, then it might be relevant to describe a system of bureaucratic dictatorship which fosters privileges. For these privileges represent a share of the social surplus to which a layer or caste with specific interests lays claim in private fashion.

It is a parasitic form of exploitation: the rule of the bureaucracy rests upon an act of political expropriation. The privileges are camouflaged, not legitimated. They are limited by the fact that they are conferred as perquisites for ruling in the name of a "really existing" class. In other words, the bureaucracy does not play an independent role in a coherent new mode of production. It does perform certain economic functions, of course, but it undermines their efficacy because it manages things with its own consumption privileges in mind. This is why the applicability of the notion of "class" to it is debatable and does not provide an accurate picture of the specific relationship between the bureaucracy and the working class. The simple fact that the former rules in the name of the latter does not lessen the magnitude of their conflicts but makes them more complex. The bureaucracy's lack of any independent and coherent economic base renders it more fragile: the more centralist its system, the closer to political death (that is, in this case, death pure and simple) will even the slightest independent workers movement, bring it. Hence this paradox: although the workers have fewer democratic rights than in capitalist countries (developed ones, of course! People in Eastern Europe too often forget the dictatorships of the West), they have a far greater capacity to resist market mechanisms, the reason being that the bureaucracy can concede quite a lot, as long as it retains political power.

The bureaucracy does not rule only, or even mainly, through police mechanisms in the long "normal" periods. It avails itself of a complex array of socio-economic and institutional means that must be analyzed in their proper context: from social benefits, such as the prospect of a promotion, that can be suspended should a challenge be made; to recruitment and propagandizing in various mass organizations; granting decentralized man-

agement rights to a firm; and the ability to fire or demote workers for political reasons. Whatever the method used, one thing must remain constant: the monopoly of the party, which guarantees that the workers will remain politically atomized. But this monopoly is compatible with different forms of government and management of the economy.

5. Overall social content of the bureaucratically centralized plan

It is not enough to merely state that the plan is bureaucratic.

a) But it is, of course, first and foremost bureaucratic, and this from two angles: the bureaucracy is both a political and social category.

We stated earlier that the goals of the central planners could not be reduced simply to the task of harmonizing the sum of the requests emanating from local bureaucrats. The plan is bureaucratic both because its strategic orientations are defined by the regime, "from the top down," albeit in the framework of its relationship with the citizens/workers; and because the very mechanisms of planning integrate at every stage and level the bureaucrats' own particular social interests (in this respect, the reforms can lead to more complex differentiations among the bureaucrats, depending in particular on how the market will affect them, or on the type of skills or function they hold).

The central government and local bureaucrats share many common interests (privileges) but conflicts do appear: the political bureaucracy can, for reasons of its own, decide to purge its intermediate relays. Their relations have sometimes been compared to those of the bourgeois state with multiple competing capitals. The difference is that private capitals are guided by an economic rationale (to maximize profit) which endows the overall system with a coherence of its own, whereas bureaucratic interests undermine the efficiency of the plan. Various currents of the bureaucracy may compete for the allegiance of the workers, as in the Soviet Union today, or in Czechoslovakia in 1968, for political or social reasons. But they cannot gain the workers' support without granting them some concessions, not to mention by making their situation worse!

b) This leads us to the other social dimensions of the plan

We said at the beginning of this lecture that social relations must be judged at once in the workplace and in society as a whole. The redistributive function of the plan and its impact on employment are essential social features of the system. Each case must be evaluated in its own right. Omitting these aspects would lead one to miss everything that can explain the social resistance to market-oriented reforms which aim precisely to transform these socio-economic mechanisms and therefore challenge certain benefits associated with them.

Transfers of value caused by the operation of the mar-

ket have a definite logic: they favor the most efficient and productive units at the expense of the others. To the contrary, the plan — even the bureaucratic plan! — can perform transfers designed to reduce inequalities — most notably by providing for the industrialization of backward regions or the survival of industries or firms showing a deficit.

This sort of logic can, of course, protect all sorts of wasteful practices. It does not always obey rational criteria from the standpoint of society as a whole — at any rate, they require discussion from that standpoint. But we should not throw the baby out with the bath water and close our eyes to the real, social or regional, benefits of such policies.

Likewise, full employment may not mean the right job for everyone. But it is still better than unemployment. Some people deny this in the Soviet Union today. They claim that paying people to do nothing or to keep certain firms alive sometimes costs society more than closing down their workplace and paying them unemployment benefits. Apart from the fact that the actual calculation of such costs is a subject for debate, the argument mixes up two issues to which we shall return in our conclusion: the need to elaborate criteria and mechanisms for reducing waste; and the possibility of rejecting unemployment as a private, individual risk.

Wherever market-oriented reforms have been introduced most extensively (as in Yugoslavia between 1965 and 1971), their immediate effects have painted, in negative outline, the contours of the benefits brought by the plan. There are indeed positive social effects of even bureaucratic planning, fundamentally connected to the elimination of private property and the logic of profit on the market. But these beneficial effects can be undermined by the bureaucratic aspects of the management system. This is why we cannot be satisfied with them as they are. On the other hand, denying the reality of this positive content wherever it exists, would make us unable to understand why certain reforms have caused problems.

c) **To sum up**, crises act as a revelator. The crisis of bureaucratic planning has illuminated quite effectively both the hidden social relations of bureaucratic planning and the sense in which they are not "capitalist." We said there was a crisis of productivity, of efficiency, in connection with the bureaucratic nature of the plan. Labor remains alienated and exploited in parasitic fashion. Nevertheless, the features of capitalist crisis are not present: no cycles of overproduction of commodities (but rather underproduction or faulty production of use values); no "overaccumulation of capital" looking for profit opportunities (massive sums are invested into the productive circuit in the USSR on the basis of long-term considerations, not of calculations of market profits which do not exist.) Such profits do not exist because production in the state sector is not commodity production, even though prices are used. If these prices are changed, it will be the result of a planned decision — and not preparation for a new spurt of production. Likewise, in the late 1970s, when growth figures came close to zero (in the USSR, Abel Aganbegian described this period as one of

"stagnation" [5-1987]), unemployment did not expand and firms showing a deficit did not go bankrupt. This, once again, is one of the central political issues in debate, because the logic of market verdicts is alien to the system, its mechanisms and values.

6) What are the unresolved problems?

Bureaucratically centralized planning, then, has eliminated the social relations which underlie the generalized, i.e. capitalist, market. But it has not replaced them with socialist social relations: the "associated producers" have no say in decisions on production; there is no democracy in the making of the major economic and political choices. In short, the elimination of private property only eliminated the capitalist forms of alienation and exploitation — without even guaranteeing the stability of this conquest.

Socialist planning was supposed to satisfy human needs better — to make their satisfaction its goal. By emancipating society from the criteria of profitability on the market and by making overall socio-economic goals its starting point, it succeeded in taking into account all available human and material resources.

But it ought to have drawn on these resources in such a way that their full potential could develop — saving social labor at the same time as it transformed it.

This is where the bureaucracy runs up against a coherent set of interrelated problems which have not been solved:

- How can the productivity of labor be improved to respond both to the needs of competitiveness in the world market and the exhaustion of the resources that had made internal extensive growth possible?

- How can the system gain in overall efficiency by reducing costs and waste?

- How can production become better adapted to ever more complex and diversified needs? And how can these needs be expressed more freely and have a part in controlling production?

Will resorting to the market solve all this? And if so, on the basis of what social relations? This is what we shall now examine.

"Perspectives on Market Socialism"

articles by Leslie Evans, Mel Leiman and Milton Fisk

"Figuring the Crash"

articles by Robert Brenner, Mary Mally and Steve Rose

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Distinguishing various market-oriented reforms

There are two main models of market reform, the term "model" being used here to refer to a simplified representation which retains only the main features of a given system of production and exchange.

Two types

Observers have highlighted different features to distinguish the various reforms. Some have singled out the recourse to a "socialist market" or "economic" instruments (by contrast with "administrative" instruments used in planning by direct command) as typical of the first type, whereas they describe the second as a system of "market socialism" (see M. Lavigne, "La difficile adaptation de la 'perestroïka' aux économies d'Europe de l'Est," *Le Monde Diplomatique*, January 1988).

We prefer the following distinction, used by the Polish economist Brus [3-1968]:

- ❖ the first type corresponds to the use of market mechanisms by the plan in a system in which the plan is dominant; whereas

- ❖ the second type corresponds to an economy in which the market regulator is supposed to be dominant (see p. 8: "Overall regulator or partial mechanism?").

On the juridical level, social ownership of the means of production is maintained in both cases.

We will deal with these two models in separate lectures after briefly touching on the problem of the relation between the two models.

This is precisely one of the points now under debate in Eastern Europe and the USSR. Many reformers consider that the first type of reform is merely a stage on the way to the second, which they consider the only coherent goal. But there also exist both pragmatic and theoretical oppositions to "market socialism" and supporters of a market controlled by the plan (sometimes called a "regulated market"). This raises several questions.

General criteria

a) *Is there peaceful coexistence or conflict between the goals of the plan and decentralized market mechanisms?*

Official Soviet speeches in favor of a "regulated market" make no reference to a possible conflictive dynamic between the two. To the contrary, they present market relations as part of the "principles" and "lasting characteristics" of "socialism." "Socialism is characterized (our emphasis — C.S.) by commodity production and market and money relations, and this is in no way inherent to the capitalist economy alone," Aganbegian tells us [5-1987, p. 139]. He even asks: "What does the radical reform of management imply?" and answers helter-skelter: "respect for the socialist property of the people as a whole, ... for planned development ... and for the intensification of commodity production and market and money relations, etc. These laws and categories will not be abolished but will develop and be enriched" (Idem, p. 123) (our emphasis — C.S.).

Aganbegian rightly emphasizes that a market has existed before as well as after capitalism (and continues to exist after it), with one essential difference: that only the capitalist system is a system of generalized commodity production. But this is a clear indication that market relations are not "characteristic" of "socialism."

We should not deny that the "classics" failed to answer certain problems satisfactorily. But we cannot accept to confuse greed and the idea of "to each according to their market results" with a "socialist principle." Nor should we accept to equate two quite distinct views: 1) the fact that some form of market is obviously necessary in present post-capitalist societies (how much is precisely the point at issue) and 2) the hypothesis that the market might aid the development of "socialist relations." The latter has been demonstrated neither in theory nor in practice. Of course, one should agree on what is meant by "socialist relations." This is manifestly the point which Soviet reformers elude most consistently in their writings. Clearly, one cannot agree to be "transparent" on this issue after having accepted to characterize the USSR as "socialist" for decades.

Alec Nove [3-1983] dodges this issue, along with the underlying question of the alienation of labor. Should labor cease to be alienated? Can it? Answering "yes" provides the connecting principle that can unite the critique of the market and that of the bureaucracy. Is it a "dogmatic" answer? Alec Nove would probably reply that our approach applies an overly Marxist "reading grid" to reality and its contradictions. He prefers to remain silent on that issue and enter the discussion only with considerations about the market as a technique. His anti-Marxism is condensed in his thesis that the market should not wither away under socialism. True, the author of *Feasible socialism* defends in practice the idea of a "regulated market" against radical free-market free-enterprise approaches. But the whole debate revolves precisely around the question of whether such a "regulated market" can be a stable situation — or whether it covers social contradictions and dynamics which do not necessarily lead in the direction of socialism.

b) *How do "politics" in the broadest sense (choices about society's future) affect "economics"?*

This important question is obscured or deformed when reforms are presented without a radical critique of the really existing policy and institutional forms of these countries, without a challenge to the single party's monopoly on power. Some reformers in Eastern Europe merely propose to reduce the party's role in economic management — in their view, to accept the allegedly "objective criteria" brought forth when "economic instruments" replace administrative orders. But with that sort of logic, those who believe the market should be the regulator will always have the advantage of being the most consistent. The more economic inconsistencies and imbalances emerge, the more pressures will mount for an actual transition to "market socialism" (even after a wave of recentralization).

The Use of Market Mechanisms by the Plan

N°7/8

Outline

A. Overview: the "economic" instruments

- a) prices
- b) credit
- c) taxes and the plan
- d) other means

B. Conflicts in variants without workers' self-management

- a) Where has this sort of reform been introduced?
- b) Characteristics of these reforms

- c) The conflicts which emerged
 1. The Czechoslovak example
 - a. at the social level
 - b. political dynamic
 - c. mounting pressures for more market
 2. No "Hungarian miracle"

C. Conflicts in variants with workers self-management Yugoslavia from 1950 to 1965

A. Overview

The overall purpose of these reforms is to replace commands with indirect links between the center and production units; this is generally known as "the use of economic instruments" and sometimes as "decentralized planning." These expressions, however, do not convey the overall thrust of the model, namely the fact that the major strategic goals of economic development (the "macro-economic" options) continue to be determined from the center ("planned") on the basis of socio-economic and political criteria. What is decentralized is day-to-day or short-term management.

Describing this model as "the three S's" (self-management, self-financing and self-accounting) does not adequately stress the basically continuing subordination of micro-economic decisions (taken at the level of the firm or workplace) to the overall plan.

The reference to market categories can give the illusion of decisions taken independently of each other. Firms do have to establish their own financial accounting system and figure out which costs will enable them to match their debits with their assets. This is what imparts a certain reality to the three "S's". But local decisions are strictly, and more or less directly, conditioned by the "economic instruments" in the hands of the planners (prices, credit, taxation, norms, etc).

Here are a few examples.

a) How prices can be used as instruments to implement planned goals?

We already explained that in the bureaucratically centralized planning model wholesale prices in the state sector are real accounting magnitudes but play no "active" role. They do not influence the orientation of invest-

ments but merely verify that the circulation of goods from one unit to another has actually been completed according to planned orders.

In the model of the plan using economic instruments, there generally are three types of prices: the prices set by the center, the prices which are controlled but can fluctuate to a certain extent depending on costs and on the supply and demand ratio, and free prices.

The "administrative" prices can incorporate macro-economic judgements. Assume, for instance, that the goal is to stimulate the demand for a particular source of energy, either to conserve another — domestic — source, or to reduce imports, or to save another resource for export. Prices will then be set administratively at a level low enough to induce the "self-accounting," "self-managed" and "self-financed" firms — which are out to maximize their profit — to choose this energy, the cheapest available, in a perfectly rational economic calculation. You will then have a price playing an active role in the firm's choice of energy. But this role is still not equivalent to that of prices on a free market which might judge the domestic product "too expensive" compared to the imported product. This sort of mechanism can provide the economy of a particular country with time for its own development — time to reduce the costs of products whose domestic production is deemed necessary, until they become more competitive and no longer need the same protection.

Of course, planners can and should regularly compare their prices with world prices. It is not always wise to develop a costly national resource instead of importing it. But, contrary to the opinion of free-marketeers who rely strictly on the indications of world market prices, the reverse is not always true. World market prices undergo fluctuations which make long-range calculations unreliable — remember oil prices. It is also essential to

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integrate the question of political or economic dependence in the cost/benefit calculations of such choices. Another consideration to be entered in the equation is the need to develop a particular region or protect employment through reliance on a national resource. It should be obvious that the real calculations ought to be "social" and macro-economic, rather than based on short-term local profitability alone.

If a given price is used an instrument of the plan, it should of course be distinguished from the "starting price" which incorporates an evaluation of the real domestic costs of producing that resource (the method used to calculate this difference is also a topic of debate but need not detain us here).

This highlights the need to distinguish different sorts of accounting and prices in line with their different functions. Overall economic calculations obviously require the transparency of costs to allow rational choices and international comparisons. Distributing resources according to criteria other than their cost alone, or their scarcity at the outset, require other kinds of prices.

If these different goals are not distinguished, or if one tries to have a single price system fulfill all these functions (measurement of costs, assignment of social labor and distribution of goods), the result is a tendency towards the restoration of the law of value or of a unifying market mechanism. Soviet economists have very little to say about this problem.

b) Credit policy as an instrument of the plan

The means of production can be centrally allocated. This is what happens in centralized planning by direct orders.

In the model considered here, a distinction is generally introduced between imperatively allocated investments, and other investments, including 1) investments from the self-financing funds of firms, and 2) investments financed by credits from banks. The latter two categories must develop to incite firms to make economic calculations and stop behaving passively.

The role of the plan is obvious in the case of the centrally allocated investments. Its exact weight must be assessed on a case by case basis, taking into account the magnitude and strategic character of the investments. It is clear, for instance, that the reorientation of the Soviet economy will be heavily influenced by the priority given to investments for revamping plants and developing engineering industries, beginning in 1986 in the framework of the 1986-1990 plans, before more extensive decentralization becomes effective.

But this is not the only way to control investments in the new system. Here too, the three "S's" could lead to a mistaken impression of the overall situation: investments which depend on the availability of credit are by definition those which are too big to rely on self-financing alone.

In other words, as soon as the project considered passes a certain size threshold, it is highly likely that a credit relation will have to be established. We must therefore study the nature of this credit relation. It too must be examined on a case by case basis because the

substance can evolve even when the form remains unchanged. In general, though, the credit institutions in the model considered here remain instruments for the implementation of the plan. This is true even when the credits are allocated on the basis of criteria reflecting the profitability of the projects submitted by firms.

The fact is, both the share of credit allocated to each industry and the overall share of the national income assigned to finance the investment fund distributed in the form of credit, can be determined centrally. These shares could be decided by a democratic procedure, but no such procedure is foreseen in the "really existing" reforms. What is involved in this first level of decision is a macro-economic calculation taking into account long-term and medium-term strategic factors.

At a further stage, after the amount of credit to be distributed in a given industry is set, the banks can invite bids from all the firms of the industry (for instance, the engineering industry). This makes it possible to introduce a form of competition for access to credit between firms. The fact that the Soviets carefully distinguish this "socialist emulation" from classical market competition is the subject of much humor. The former can indeed deviate into the latter. But it can also have a genuinely different content. The model could include the hypothesis that the final decision on which firm receives the credit depends on a complex examination of the application files submitted by the firms rather than a simple short-term profitability criterion. Criteria such as regional development, savings accomplished in projects, the substitution of national products for imports, the creation of local jobs, even the fact that the firm can show that a request for a specific type of product was not fulfilled, could be incorporated into the credit allocation mechanism. Here too, these criteria could be discussed publicly and the allocation of credit subject to pluralistic social control.

In all cases, there is a combination of macro-economic decisions and decentralized initiatives taken at two levels:

- the banks, acting as mediators between the plan and the basic units or regions;
- and the basic units soliciting credit on the basis of projects elaborated by themselves.

The banking system makes it possible to coordinate these decisions without the center having to delve into the details of how its choices will be implemented in practice, or even necessarily having foreseen all requests for investment.

It is clear from all this that the question of which logic should govern the credit relation is decisive. Experience shows that financial institutions are not mere "neutral" intermediaries. Many vacillations and combinations are possible between subordination to the "center" and "localist" loyalties (with their Mafia-like networks associating bank managers, firm managers and leaders of the local administration). The wider market mechanisms spread, the more room there is for these variants. Obviously, the lack of public social control on the allocation of credit allows these lobbies free play.

c) *Taxation and the plan*

This is the third major "economic instrument" serving as a link between overall choices and micro-economic initiatives. There are many variants but the potential impact of fiscal policy is best illustrated in two areas.

- The first is in limiting the surplus remaining at the disposal of a firm. We have explained that the recourse to credit was a possible form of dependence on central choices. By limiting the profits available to a firm and compelling it to resort to credit, a de facto control over decentralized investments can therefore be established. Local initiatives which tend to run counter to central choices could then be deflected or challenged.

Thus, in the first period of Yugoslav self-management, when this model was applied (1952-1964), about 70% of investments remained under the direct or indirect control of the planners even though the three "S's" had been instituted. It is obvious that the industries in which self-financing could be sufficient to make a dependence on credit unnecessary, were those where free prices were most advantageous (for instance, because they reflected an insufficient supply of consumer goods) and the least investment was required. In other words, these mechanisms enhanced the decentralized development of light industry — which corresponded to one of the goals of the planners (until the system for the development of basic industry could no longer keep up with the expansion of manufactured goods and imbalances appeared, mirroring the imbalances of the bureaucratically centralized plan).

- The second area where taxation interferes in this model is in attenuating the effects of a decentralized distribution of income according to market results. But this function also led to conflicting logics, which we shall discuss later.

e) *Other means of intervention of the center*

In practice, these reforms also contain other prescriptions with similar effects: setting norms for the distribution of profit to the different funds of a firm; setting wage scales; direct injunctions and controls. All these mechanisms can conflict with the firms' much-touted "self-accounting", "self-management" and "self-financing."

B) Conflicts in variants without workers' self-management

a) *Where has this sort of reform been introduced?*

In actual fact the main debates of the 1960s in the USSR (notably the perspectives elaborated by Liberman and Trapeznikov) and the other Eastern European countries, except Yugoslavia, focused on proposals to introduce this sort of model without workers self-management. The same conception underlay both the Kosygin reforms in the USSR and the proposals of the Czechoslovak reformers in the 1960s. The political dy-

namic of these reforms (which we shall discuss shortly) in the conditions of the Prague Spring caused the intervention of the Soviet tanks in 1968 and signalled the end of the reforming course in both the USSR and Czechoslovakia.

On the other hand, although Hungary participated in the intervention of the Warsaw Pact troops in Prague, it controlled its own domestic political and social situation sufficiently to try the New Economic Mechanism and for Big Brother to tolerate it. The previous Soviet intervention (in Hungary, in 1956, at the height of "Khrushchevism") had done the job "adequately": the workers had been defeated and, at the same time, the most conservative wing of the bureaucracy removed from the main avenues of power. This facilitated the subsequent reforming course in a political scene that could be nicely "controlled" by a purged party.

b) *Political and social characteristics of these reforms*

The balance sheet is quite clear in the field of political rule. Seen from a general vantage point, these reforms changed nothing in the one-party system and the bureaucratic (statist) content of the plan.

The fact that the central choices were transmitted through "economic" instruments rather than directly only affected the "base units" — in this case the managers and management bodies of the firms — by providing them with greater room for initiative and submitting them to greater market pressures.

Seen from the standpoint of social base, these reforms appealed to the support of technocratic layers, to the detriment of the apparatus of functionaries previously assigned to planning by direct command. In general, the monetary incentives associated with these reforms were aimed mainly at this layer of managers.

Surveys conducted in Hungary in the 1960s showed that the workers had noticed very little positive change as far as they were concerned, particularly in the field of incomes. Many stories told in Hungary at the time reflect this reality.

Kadar goes out to start his survey on the reform. He meets the manager of a firm:

— *So, what has the reform meant for you?*

— *Oh, I got to buy a car with my bonus payments...*

— *Very good. And with the rest?*

— *I put the rest in a savings bank.*

Kadar then meets a worker. Same question. Answer:

— *Oh, I got to buy a pair of new shoes with my wages!*

— *And the rest?*

— *I had to borrow the rest from my mother-in-law.*

It has often been noted that these reforms were not implemented thoroughly or that a recentralization occurred very soon after their introduction, and before more

audacious waves. Why? The answer lies at least partly in the conflicts triggered by the reforms.

c) *The conflicts which emerged*1. *The Czechoslovak example*

In his economic history of Eastern Europe, Brus [5, 1986] emphasizes the popular aspect of the Czechoslovak reform. His view probably conflates several features and periods. The reforms were indeed eventually defended by the people against the Soviet intervention. But in the beginning, when the content of the reforms themselves was at issue, conflicts emerged which were very similar to those that can be observed today in the USSR undergoing *perestroika* (restructuring).

In both cases, the tendency towards stagnation was the fundamental cause of the reforms. Czechoslovakia's productive potential — the only one in Eastern Europe, along with East Germany's, to start from a relatively developed economy — was quickly smothered by bureaucratic planning.

The starting point of the reformers, particularly Ota Sik, was highly technocratic; they allowed very little room for political democratization and workers self-management in their perspective. (We will not take up here the question of whether the reformers were practising a form of self-limitation, a tactic sometimes used in East European countries to gain some ground by avoiding confrontations on the most sensitive issues.) The general thrust of the reforms was to resort to market mechanisms in an attempt to reduce bureaucratic waste and improve the productivity of labor and the ability of production to respond to demand.

a. On the social level, reforms ran up against two types of resistance, similar to those encountered in the USSR today:

- one emanated from the conservative bureaucratic apparatus (destalinization had not taken place in Czechoslovakia);

- the other came from the workers in the form of passivity or even defiance. Workers felt threatened by the reform in several ways:

+ their guaranteed employment and unhurried pace of work might clash with the productivist logic of the reform;

+ their standard of living might be negatively affected by cuts in central subsidies and price diversification being applied first to the most common consumer goods.

The conservative wing of the bureaucracy around Novotny decided to dwell on this aspect of the reforms and get the workers to exert some influence in support of its position. Petitions began to circulate in the workplaces.

b. This appeal beyond the bureaucracy — and the parallel efforts of the pro-Dubcek reformers to broaden their own social base — combined with the political dynamic of the reform. The recourse to decentralized mechanisms and greater autonomy of firms meant that more

information had to circulate and that the economy had to acquire a certain "transparency." This dynamic ran up against censorship and the official truths of the state. Czechoslovakia had cultural and political traditions which fostered movements "from below" able to take advantage of breaches in the unanimity of the apparatus "at the top."

The Prague Spring then bloomed as an overall movement affecting all society and, for the most part, not controlled from the top. This is one of the key differences with the Soviet *perestroika*, at least in its present phase.

Czech left-wing dissident, Petr Uhl stresses this difference in his rejoinder to the reform-minded Communists of Charter 77 ("The Human Rights Movement debates *Glasnost*," *International Viewpoint*, number 136, March 7, 1988). Interestingly, Soviet officials concur: for them, this explains why the Soviet intervention against the Prague Spring was necessary even though the economic reforms which they advocate today for the USSR look so much like those of Czechoslovakia in 1968. The key difference is in the degree of political control by the party, not in the existence of some alleged danger of capitalist restoration.

c) There was no threat of capitalist restoration, but there were real pressures developing for the further extension of market mechanisms. This is quite "logical" in any reform of this type. In the end, managers are put in an eminently uncomfortable, ambiguous and unstable situation; they are supposed to take initiatives to reduce costs and reach a certain level of competitiveness on the market, but the continued interventions of the "center" create different situations of the firms in each branch of industry. In addition, they cannot fire workers freely and therefore cannot reduce costs in that direction.

In any case, what is the point for managers to take risks if, in the end, they cannot keep the profits for themselves and make them yield further profits. The market mechanisms introduced by the system therefore begin to clash with the system's own basic values. Underlying these "values" are the aspirations and resistance of the people.

This is confirmed by the case of Hungary where reforms were applied more extensively.

2. *No "Hungarian miracle"*

Although the Hungarian experience is often touted as an example of consistent reformism applied successfully, the real situation does not bear out this claim.

The tensions which arose as a result of the social effects of the reforms applied in the 1960s motivated the government to implement a centralizing reversal already in the 1970s. The "center" had to resort to more and more interventions to bail out firms showing a deficit (after their new prices came close to world prices). The projected criteria for distribution had to be revised and greatly softened. The recentralizing course took place at the same time as Hungary got more heavily involved in the world market — a rather general trend in Eastern Eu-

rope at that time, which led to a massive foreign debt.

At this point, a new wave of reforms is being implemented under the auspices of the International Monetary Fund. Its logic is to increase the role of the market and move towards a really decentralized model. The Yugoslav syndrome is looming. Wide gaps have opened between pockets of real poverty and a private sector which is getting richer, but not necessarily by developing the sectors corresponding to the essential needs of the people. The state sector remains cumbersome and difficult to reform, combining features of bureaucracy and commodity relations.

These new reforms could miscarry in the midst of a political and social crisis and growing social tensions fostered by a rate of economic growth close to zero. The question of threats to employment and of inequalities caused by the market may come to the center of the political scene quite soon. Recent amendments to Hungarian labor legislation have made the procedures for reconversion of workers from one industry to another, easier. Firms still cannot lay off workers without guaranteeing such a reclassification, but the worker is now compelled to accept the new job. New sources of tensions will develop when these new jobs are located in a different region, causing family problems; or when they do not correspond to the worker's recognized skills. The trade unions' failure to defend the workers in these situations might lead to the emergence of independent movements; already news of such developments is beginning to emerge.

There is no "Hungarian miracle," then, at least not in the area of industrial development. The regime's successes which explain its margin of popularity are mainly in two areas. The first has to do with Hungarian politics: everything is relative of course, but after the period of repression, Kadar's cultural liberalization was the envy of people in the neighboring countries, despite its limits. The second success is in the field of agriculture which has such a great impact on people's standard of living. The rather positive balance sheet here is not due primarily to the extension of the private sector, which, although legal, remains quite limited. It is due to a far greater extent to the margins of responsibility granted to teams of collective farm members and an improved combination of small-scale and large-scale agricultural production (which require different know-hows, forms of labor and forms of social control).

C. Conflicts in the variants with workers' self-management

First stage of reform in Yugoslavia: decentralized self-management subordinated to a central plan

The experience lasted for over a decade: self-management began to be introduced in 1950 and the first five-year plans of the new system date back to 1955. "Market socialism" was only decreed ten years later, in 1965. Both models were introduced "from the top down."

Although it left much greater room for freedom than

its neighbors, Yugoslavia maintained a one-party system. Cultural, religious and national rights were extended. But as soon as political, social or national disagreements took organized collective forms, they were no longer tolerated.

The model proposed today in the USSR is closer to the Yugoslav model of the 1950 to 1965 period than to the Hungarian experience. There are important differences though: the "top down" revolution initiated by the Yugoslav leadership drew its strength from the impetus and great popularity it derived from a real revolution "from the bottom up." It also took place after the most centralist currents (suspected of supporting Stalin) had been "purged" (by the worst methods, one should note in passing). Finally, the Yugoslav working class was a minority of the population — 70% of which was rural. The first social measures taken by the new regime immediately after its rise to power were designed to improve the standard of living of the workers left in extreme poverty at the end of the war; the war indemnities received by the government helped to make this possible.

In other words, there were no major obstacle to the rapid introduction of reforms — contrary to what is occurring and will continue to occur in the Soviet Union. Nevertheless, in both cases the idea of granting self-management to the workers was supposed to consolidate the social base of the regime at a time when it was going through a difficult period (in the case of Yugoslavia, the break with Stalin resulted in an economic blockade of the country).

At that point, self-management was closer to a form of co-management subordinated to the powers of the trade-unions and municipal authorities. The reform combined the continued setting of macro-economic orientation by the center with decentralized initiatives based on the three "S's" mentioned earlier.

The balance sheet of the reforms is quite paradoxical. The period in which these reforms were implemented encompasses the best performances of the Yugoslav economy in all postwar history: the rate of growth of the Social Product stood among the highest in the world (a yearly average of 10%); the balance between different industries was substantially improved; services expanded; agricultural cooperation progressed (after the forced collectivization course was reversed); domestic prices were controlled and the foreign debt was kept low thanks to sustained exports. In other words needs were satisfied more effectively.

Nevertheless, this was the system that was criticized and rejected in 1965. The macro-economic balance sheet above does not include a rubric showing the rise of conflicts, which were the main cause for the turn of 1965. To put it briefly, what happened was that all the tensions described in the systems based on reforms without workers self-management, were found in Yugoslavia too, but with different socio-political dimensions.

a) Two aspects of the official socialist program came into apparent contradiction:

- On the one hand, the plan incorporated redistributive aspects which aimed to reduce inequalities between

regions, create a balanced economy and move towards the realization of long-term goals of social transformation. But, even under the new form of planning which replaced detailed administrative orders by "economic instruments," these redistributive aspects were determined outside the new self-management system being instituted. Moreover, in a multi-national community like Yugoslavia, this redistributive aspect directly concerned the regions/nations/republics. (The same is true in the USSR, incidentally.)

- On the other hand, it was proclaimed that self-management heralded a return to the substance of the socialist program: "the association of the direct producers." In the USSR, the talk is now of "the workers, masters in their own shops," running their own property, etc. But if self-management is confined to the borders of the firm, then anything which limits local management rights appears as an infringement on recognized rights.

b) A second contradiction paralleled the first. The mode of distribution according to market results came into conflict with both the redistributive logic of the plan and the often repeated "socialist principle" of "to each according to their work" (which we shall discuss in our conclusion).

+ The key slogan of the reform was: "Raise your local productivity and your income will grow." But taxation took more from those who earned more, in order to reduce income differentials. (In the USSR, at the very beginning of the reform, Abel Aganbegian is already advocating what the Yugoslavs only did in 1957, namely replacing the progressive income tax with a uniform tax. But the wider income differentials will be a new source of tensions.)

+ Distribution therefore tended more and more to take place not according to each person's work, but according to their results on the market. (Soviet leaders are already acting as if the former was the same as the latter). But strikes broke out and continued over the issue of the unequal conditions under which workers were forced to earn their wages. The first publicly acknowledged strike in Yugoslavia dates back to 1957. It was a significant event: the miners of Slovenia felt they were put at a disadvantage by the pricing system of coal because coal mining had been included among the industries the prices of whose products were fixed (in this case, at a low level). Inevitably, revenues from sales of coal were lower, and the remuneration based on market performance was considered inadequate. The prices of other items can also be the cause of higher or lower incomes, depending on the industry, for reasons totally independent of the effort and work expended: in regions whose infrastructures cost more to build, if the products of the industry are not delivered as efficiently, if a natural monopoly situation exists, or if the equipment is better because of more recent investments.

Finally, the Yugoslav system began to incline towards "market socialism" as early as 1957. The market was presented as the only means to expand the growth of the productive forces at one and the same time as self-managed socialist relations were instituted. While redistributive aspects of the plan were mitigated, the auto-

nomous status of self-managed bodies was strengthened on the local level. Instead of funneling profits towards priorities through the institution of norms for the disposition of profits, firms were left free to funnel their "net revenue" (their revenue after the cost of materials and taxes were paid) towards whichever fund they pleased, including the "personal income" fund: the separation of wages and profits was eliminated (since wages were no longer considered as a cost). What was happening in reality, was the rise of a logic of distribution according to market performance. The richer republics, in turn, tried to emancipate themselves from the "center's interference" in the management of their resources.

By the early 1960s, Yugoslav self-management had reached a cross-roads: the pressures in favor of an actual implementation of formally recognized rights were particularly strong because the regime had legitimated all forms of criticisms of bureaucracy and statism after its break with Stalin.

One option which existed was the extension of self-management. Self-management was constrained by the "statist" plan and searching for its own form of "social justice." It could have seized hold of the plan, defined its own priorities and elaborated its own distributive criteria to promote equality. Local self-managed bodies would have readily applied these priorities and criteria determined by themselves. A House of Self-Management (similar to the one proposed by Solidarnosc in Poland) with jurisdiction over the entire federation could have subordinated the credit institutions to its will. Planning could have been democratized also in relation to the various republics of the federation — by allowing them to control the common allocation of resources and the common long-term choices, on the basis of mutual advantages and consciously accepted solidarity.

Instead, the contrary option was upheld: extending market mechanisms by dismantling the plan.

In concluding, we should note that the possibility of experimenting with reforms more thoroughly and durably has depended on eminently political conditions. In other words, market mechanisms were able to develop more extensively insofar as the ruling bureaucracy granted the population some decentralized form of freedom of expression. The Hungarian experience shows this in a limited way. The dynamic of the Prague Spring is another illustration of this relation. The Yugoslav case highlights this point most clearly and enables us to understand why today Gorbachev has presumably decided to give a political dimension, from the outset, to the reforms he is proposing: it is the precondition to winning popular support.

The point can be reversed: the bureaucracy can tolerate a certain extension of local rights without undermining its monopoly over central political power, by extending market mechanisms. Paradoxically, this way of looking at things contradicts a widespread belief about the market: in reality, the market has been used to limit democratization of the system! This is shown even more starkly by the Yugoslav experience with "market socialism." ■

"Market socialism" the Yugoslav experience 1965-1971

N°7/8

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The Yugoslav example is the only one that allows us to test the second type of market-oriented reforms, "market socialism."

I. Objective and institutional means

1. Objectives

This is how the 9th Congress of the LCY (League of Yugoslav Communists) defined them:

"The League of Communists acknowledges that in contemporary conditions, production for the market is the only possible form for the rational expansion of productive forces and an objective precondition required by the development of self-management and direct socialist democracy. This is the reason why it is necessary to energetically pursue the reformist orientation towards a full affirmation of the freest and most developed forms of market-socialist production, while opposing any subjectivism and any rejection by the state of its economic laws."

As Włodzimierz Brus [2-1975, pp. 62-69] emphasizes, it is no longer solely a question of rejecting the hypercentralization of planning which would direct itself more and more towards accumulation: here, the relationship of the market and plan are inverted. The functions of the market are expanding.

In official terminology, the "economy" taken as a whole (in some way above social categories) was opposed to the official enemy: the state. It was a question of recovering from the latter the resources which "rightfully" belonged to the "economy".

This is how V. Bakarić (one of the main leaders of the Yugoslav revolution and state) retrospectively de-

scribed the spirit in which the reform was undertaken:

"By the 1965 laws, ... the state laid aside certain of its economic obligations, certain elements of its role in this area, to transfer them to the economy itself. The net product was shared between the economy and the state, on a 70% to 30% basis. The question is being posed today as to whether or not the banks are an integral part of the economy. If we examine the last phase of our development, we can see that the right to our surplus labor and surplus value, was transferred to the banks which we do not tend to consider as self-managed organisms or as establishments managed by the direct producers.

However, in the terminology of the economic and social reform, they are elements of the economy, the crucial point in this regard being the opposition between the 'state' and 'non-state'."

The "non-state" was supposed to manage the economy according to "objective" criteria which also transcended the differences between social systems: the criteria of the world market. The point was, according to the formula used in particular by Branko Horvat, one of the regime's main economists, to "depoliticize economic decisions."

Prices would be those of the world market, and businesses which could not stand such a level of competition under normal import/export protection, would have to reorganize themselves or close up shop.

2. What were the means of the reform?

a) abolishing investment funds

In the previous sort of economic reform (described in lecture 2), accumulation was financed through funds separated from the budget. In 1963, these different Social In-

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vestment Funds were abolished and the resources transferred to the banks. From then on, the federal central authorities (Yugoslavia is a federation of six republics and two autonomous provinces) could only establish funds earmarked for aid to the least developed regions. Accumulation was thus decentralized towards production units and the banking system. When the fiscal burden of firms was lightened and the status of banks changed, this process of dismantling the plan acquired real substance.

b) lighter taxation of firms

The contribution drawn from the revenue of firms was totally abolished. The tax on the turnover of firms was shifted from production to retail trade and service prices.

The share of added-value under the direct responsibility of the firms rose from an average of 47% between 1960 and 1963, to an average of 58% in the second half of the 1960s. Along with this expanded role of firms in managing the social surplus came a new role for banks. The transformation of the latter was to be one of the distinctive features of the Reform.

c) revamping the banking system

Until then, banks had been institutions which managed social funds under the direct control of the "social-political communities" (the various levels of government) and according to the directives of the plan. Representatives of firms had certainly been able to participate in the banks' management teams before the reform. But the chief criticism concerned the derisory weight which they possessed compared to politicians.

In the name of fighting barriers between regions, banks acquired the right to operate over the entire country and were encouraged to fuse.

- Banks could be founded either by individual firms, or in partnerships with the "social-political communities" (which had at least 25 members in them). An organ of the state could not, henceforth, found a savings bank on its own.

- The bank's management council was supposed to be the General Meeting where the founding members had a right to vote in proportion to the funds they had invested.

The system was designed to guarantee a majority of votes for the firms. In practice, there was often an osmosis/interchange between the directors of the firms, of the banks and of the local government. But the logic on which management was based had been emancipated from the choices made by the center. This was the main transformation.

The General Meeting established a "Credit Committee" composed of experts. The director of the bank had automatic membership on it. It was theoretically an executive organ of the General Meeting.

- The most important innovation was undoubtedly the creation of a "credit fund". It gathered together the banks' resources, constituted by the deposits of the founding members and by the receipts coming from the

interest collected on credits. From then on, all these funds belonged to the bank which tried to get a maximum yield from them through investments.

• The 1965 Law on Banks and Credit was the first to explicitly authorize a firm to collect income from an investment in another firm (in other words, originating in someone else's labor).

- Credits were granted to firms in return for an interest rate with a theoretical ceiling of 8%, which constituted the bank's income. This income was divided into three parts according to the decisions of the Meeting of the institution: a) one part returned to the work collective of the bank employees to cover running costs (operations, repayment, legal and contractual obligations, personal incomes). The employees could also increase their participation in the bank's funds by saving expected profits on its management. b) Another part was set aside for the credit fund; and, finally, c) the rest could be paid out to the founding members in the form of interest in proportion to their investment. These sorts of "dividends" depending on the success of the bank's activity, could not, however, be distributed in the form of personal incomes.

Pressure mounted in favor of — along with resistance to, in other quarters — the abolition of regulations limiting the liberty to use these "dividends" and the possibility for these "dividends" to take the form (the content) of real shares. But this reform was never instituted.

The investment criteria also required a change in the internal pricing system.

d) reforming prices and foreign trade

This reform aimed to adjust domestic prices to international levels, to establish a more "realistic" exchange rate for the dinar and to lower protectionist tariffs. The point was to lessen the state's prerogatives to the advantage of firms — the other side of the coin being the latter's loss of subsidies and protection.

In 1964, real prices rose about 15% in mines and manufacturing, but around 24% in raw materials, 43% in agriculture, 21% in construction and housing and 30% in services.

In 1970, two-thirds of goods were sold at uncontrolled prices. The inflationist trend which started up in 1965 was to climb far above the "true" prices hoped for. The question of inflation was to become more and more an essential part of the economic crisis and remains so to this day. We shall return to this later.

The devaluation of the dinar (which passed from 750 dinars to the dollar to 1250 dinars or 12.50 new dinars to the dollar) was supposed to enhance exports and be an extra step towards convertibility of the dinar.

By late 1971, import quotas and the licensing system only applied to one fifth of equipment imports, one quarter of raw materials and semi-finished goods imported and 37% of consumer goods.

Foreign currencies were only theoretically available (on the basis of differentiated quotas according to the product) to those firms that earned them. In practice a large part of the reserve-quotas were in circulation. Business could also acquire the right to directly negotiate for-

foreign credits on condition that the firm or bank contracting an external debt borrowed a maximum of three times the quantity of hard currency which it had.

Finally, the reform introduced two other measures in terms of foreign relations: freedom of movement and emigration (which we shall examine along with the question of employment) and opening up to foreign capital.

e) opening the economy to foreign capital

This was intended to improve the foreign debt situation, on the one hand through improving the competitiveness of Yugoslav products through imports of technology and know-how, and on the other, through finding sources of investment other than foreign credit. The same logic is invoked today in the USSR.

Until 1967, foreign investments as such were illegal. The laws and constitutional amendments introduced at this time authorized the formation of joint ventures in which at least 51% of total funds had to be Yugoslav. The new legislation heralded a bold overture by comparison with East European countries — and a desire to protect the coherence of the system. (See OECD studies on foreign investment in Yugoslavia, 1970).

From the standpoint of the Yugoslav system (of its socio-economic structure and overall orientation) the first question posed was that of the status of the workers in the joint ventures. It was always proclaimed that their rights should not be any different in this type of firm — and thus that self-management and its principles should be applied. On a broader level, the joint venture was, once established, inalienable "social" property — which left doubts as to what would happen in the case of durable losses, given the difficulty of bankruptcy and the protection of workers' wages.

But the rules established in minute detail at the outset were ridden with contradictions — the same that can be found in the USSR.

Apart from these first types of problems, the Yugoslav authorities were anxious to see a number of macro-economic imbalances reduced. But encouraging the sort of production that could be exported to countries with convertible currencies at a profit, did not coincide with the interests of those lending the foreign currencies (40% of the production was to be exported!): would not Yugoslavia's new foreign partners now be more inclined to look for markets in Yugoslavia and Eastern Europe (with the aid of the former) than to compete with each other? For the Yugoslav authorities, the point was to make the joint ventures attractive to foreign associates — and thus a source of profit — while at the same time keeping the bulk of the surplus released inside Yugoslavia... A tax of 35% was established on profits with an obligation to reinvest at least 20% of the latter in Yugoslavia — tax relief measures were envisaged in cases of reinvestment superior to the latter level or in underdeveloped regions. The repatriation of profits and invested capital was also very complex and subordinated to the goal of conserving hard currency. Could all that really be "attractive"?

II. Initial socio-economic effects of the reform

1. Self-management, employment and capital: what sort of intensive development?

The priority given to more intensive development was bound to affect employment. In reality the result was a veritable collapse of growth rates, the counterpart of which was unemployment and massive emigration.

Technological investments translated into a very strong rise in the "productivity of labor" (measured by the quantity of output per worker). From a base of 100 in 1961, this had increased to 178.9 in 1971 — the growth of output having been greater than that of labor. This proved the case in every sector. (World Bank Report, [6-1975], pp. 92-94) But this productivity meant unemployment.

Parallel to this, the level of fixed assets per worker grew in every sector — going from around 57 000 dinars (1966 currency) in 1965 some 80 000 dinars in 1970. During this second half of the 1960s, each additional job required an investment three times larger than it had in the first half of the decade. Between the same dates, one and a half times more fixed assets became necessary to achieve each additional unit of output. Thus, in manufacturing industry, the "productivity of capital" between 1961 and 1971 dropped from 100 to 95 — in construction, from 100 to 68.8; in service industries from 100 to 88 and in agriculture from 100 to 71.

All in all, far from having lowered the costs of investments, far from having made the latter coherent, decentralization heightened the "thirst for means of production" known in hypercentralized systems and the unemployment of the market economies where the allocation of investments is decentralized...

With very sharp regional variations, the number of those seeking work in 1971 was close to 300 000 (in a population of around 20 million) — a figure considerably slimmed down by the emigration of some 700 000 workers.

However, the specific nature of Yugoslav unemployment should be emphasized: the prevalent social relations in Yugoslav firms dictate that they must extend their technical capacity while guaranteeing employment levels. As long as this social logic continues, the autonomization of firms will not result in lessening costs. The latter will prevent a division and organization of social labor in such a way as to ensure full employment. The guarantee of existing jobs necessarily translates into a negative rigidity and growing costs if the worker who benefits from it does not, at the same time, receive genuine training and responsibility for the overall management of the economy: market pressures put a damper on hiring new workers (so that the rise of unemployment was due mainly to demographic factors) without quite imposing the acceptance of lay-off as an individual risk.

There was no capitalistic substitution of capital for labor as a mechanism for the reconstitution of profits

through lowering costs, because profit was not the essential factor and labor was no longer merely a cost.

This, of course, embodied a social advance. But it meant that the incentive was inadequate and counterproductive! In other words, competition imposed on self-managed firms trying to go by micro-economic criteria of profitability produces, for eminently social reasons, the opposite result from that desired: a drop in the overall efficiency of the system and the emergence of social and economic effects contrary to the initial goal.

We will now see that this was the result in fields other than employment and productivity.

2. Factors of social dislocation

a) uneven regional development

At the end of the period considered here, underdeveloped regions accounted for 40% of the country's area, 35% of its population, but only 21% of its Gross Material Product.

As decentralization was accentuated, the poor areas situated with the developed regions were made the responsibility of the latter. Regional aid from the Federation itself was directed primarily to Macedonia, Montenegro, Bosnia-Herzegovina and Kosovo.

Between 1965 and 1970, despite this aid, the distribution of per capita income once again collapsed: at the turn of the decade, income in the poor regions represented around half that of the rich regions. [World Bank report, 1975, Chapter VIII] All regions were subject to the new mechanisms and criteria for allocation of investments whose general results we have referred to: very "capitalistic" and more and more costly decisions. But these general features emerged with even greater force in the least developed republics: the need for infrastructural projects along with the location of the most capital-intensive basic industries in the poor regions enlarged the share of fixed assets per unit of output even more than elsewhere.

The large volume of funds needed for the production of raw materials, the longer delay before their actual development, combined with the application of world prices to these products, were negative factors in the context of the new management methods and adversely affected the creation of basic industries in the poor regions. The fact that income earned in these industries was lower than in those whose prices were free or more protected — along with the downgrading of manual labor in this period — led to shortages of labor power in these basic sectors.

The weaker productivity of the poor regions could only increase their disadvantage in the context of a policy of openness to international competition. To top it off, in the race for hard currency, the developed regions enjoyed certain natural advantages: the Croatian shore along the Adriatic sea was well-suited to tourism.

Finally, the archaic agriculture of the mountainous regions of the South was less than ever capable of benefiting from the opportunity to buy private tractors provided by the reform.

Demographic problems did the rest: a fertility rate of around 2.1% would have corresponded to the rate of population renewal that would ensure a stable size on the long run. In the 1970s, the Yugoslav average rate was around 2.3% — 3% for the underdeveloped regions as against 1.9 for the others (and 5.4% for Kosovo in particular).

This meant that even in the context of a policy of centralized accumulation and redistribution of incomes, reducing the regional inequalities would be a long and difficult process. In the context of a system which cut back transfers and interdependence, it was totally impossible. In addition, the effectiveness of these transfers and aid was closely dependent on their effect on local employment and traditional agriculture, the productivity of which was extremely low. The irrational bureaucratic use of aid in very capitalistic or prestige-oriented investments was a factor which further aggravated nationalistic retreats and social tensions.

In general, the aid distributed was a breach of the principles and values of the reform. The irrationality of its management could only increase the incoherence of the choices made and the dissatisfaction of all concerned.

b) the lure of profit

Privileges, abuses and dilapidation of social funds existed before the reform — and are in fact a well-known aspect of bureaucratic systems. The reform did not eliminate but, on the contrary, expanded this type of practice. It stimulated the lure of profit and accepted — although not totally — the inequalities produced by market relations (new forms of privilege!). In a capitalist society, wide income gaps and the concentration of wealth at the top of the pyramid are without doubt more marked — because of profits yielded by capital. But the essential feature of these profits is that they can be reinvested productively in completely legal fashion. In a society like Yugoslavia, where no capital market exists, and where the status of private property remains fragile, the accumulation of wealth primarily takes place through various forms of fraud (even more extensively in the socialized than the private sector) and results in illegal consumption-oriented privileges or activities. Market decentralization multiplies the possibilities for easy, speculative profits which rely on a process much wider than the "privatization" of the economy.

Whether in Poland, Hungary, China today or Yugoslavia, each wave of decentralizing reform and extension of the market has been, after a relatively short period of implementation, accompanied by campaigns against "illicit self-enrichment".

The part played by demagoguery in these campaigns aimed mainly at diverting popular discontent towards a few scapegoats, cannot be underestimated. Nor can the self-enrichment, though. It is generally in the periods following a partial recentralization that the biggest scandals come to light. It will be seen again and again in Yugoslavia, down to this day, as the press and courts hear and report denunciations of millionaires and their clubs — tarnishing along the way the local party and state

authorities.

The havoc wrought upon hearts and minds — a natural consequence of the needs aroused by the reform — is even less measurable.

The regime had already begun to downplay its earlier egalitarian ideals and to treat *uranilovka* — the levelling of incomes — with derision, before the reform. The search for material incentives to enlarge the productive forces and the drive to strengthen the managerial powers of the workers councils on a local level had, at a very early stage, led to praising (much as Gorbachev is doing today) the distribution of incomes according to market

results and the “quality” of the work performed — a very vague concept. In the context of the reform, the responsibilities of management increased — but to the advantage of the leadership teams.

Indeed, is it not “normal” for a director who can take bold and successful initiatives to pay himself according to his performance? And for a Mercedes/Benz to be placed at his disposal by his firm (with all due deference to this make, people prefer to speak of a “Peugeot-cracy”)? If the production unit is supposed to become a “collective entrepreneur” under socialism, should the “narrowly wage-oriented” distribution criteria “according

Yugoslavia since the revolution: a few key dates

March 8, 1945: A compromise between the Yugoslav Communist Party (YCP) and the government-in-exile officially establishes a coalition cabinet, but the YCP maintains its army of 800,000 partisans and its people liberation committees.

October 1945: The last two bourgeois ministers leave the cabinet. The new state apparatus consolidates its gains: the means of production and banks are nationalized, a land reform implemented and a de facto monopoly of foreign trade imposed.

1945-1950: Period of completely centralized planning and collectivization of agriculture on the Soviet model.

November 29, 1945: Following a referendum on the issue, the People's Federative Republic of Yugoslavia is proclaimed

1948: The Kremlin denounces the “Titoite clique” and publicly calls on “the healthy forces within the YCP” to impose a new course. In retaliation, Kominform supporters are brutally purged from the YCP; the overwhelming majority of the party supports the Yugoslav leadership. The Kominform then launches a vast purge of “Titoites” in all Communist Parties of the world.

1950: The law on workers self-management is adopted; private property is restored over 80% of cultivable land.

1950/1952-1965 In this period, self-management is introduced and extended to all sectors (including the service and cultural sectors), but the state retains control over 70% of investments; the private sector is confined to agriculture and the small crafts (see lecture 2 on market reforms of the first type).

1954: Milovan Djilas is purged.

1955: Soviet Premier Khrushchev comes to Yugoslavia to seal the reconciliation of the two regimes.

1958: The Seventh Congress of the League of Yugoslav Communists asserts that self-management is a universal goal of the socialist revolution, not just a particular “Yugoslav road to socialism.”

1965-1971: In this period, the market-oriented economic reform is implemented most fully: profitability is sought through competition between firms and on the world market, prices are deregulated and the Central Investment Fund is abolished (see lecture 3 on “market socialism”).

1965: The decentralized economic reform is introduced.

1968: Student revolt, workers strikes, very critical congress of the trade unions; Tito denounces the development of capitalist relations and condemns the Soviet intervention in Czechoslovakia.

1971: Rise of a Croatian nationalist movement

1971-1980: This is a period of partial recentralization. Anonymous bank accounts are abolished. “Self-managed planning” is instituted through negotiated agreements; large firms are dismantled into smaller units.

1972: Repression and purges in Croatia; Tito denounces millionaires.

1973-1974: Repression is unleashed against the left-wing review, *Praxis*, and against the Kominformists.

1976: The law on associated labor formally extends the powers of self-management in the framework of a division of firms into small units.

1980-1988: This is the period of growth of the foreign debt, economic crisis, political standstill and growing pressure from the International Monetary Fund.

to one's work” not be abandoned altogether?

This is an opinion widely held in Yugoslavia; it corresponds to advocacy of distribution according to market results. Inside the workplace, it encourages workers to delegate their powers (provisionally) to experts in financial matters. Outside the workplace, it dismantles the solidarity between firms. It led the trade-union representatives of the post and telecommunications sector to demand “economic prices” — in other words, the raising of postal tariffs in accordance with a capitalist logic. This is the language of the reform, its logic and its point of view based on short-term profitability.

The sectors which have experienced the highest revenues have been those which have promoted market relations: financial intermediaries, import-export businesses, business associations, the oil industry and shipbuilding.

3. The deepening foreign debt

From 1964 to 1971, the Yugoslav foreign debt quadrupled, jumping from \$700 million to \$2.7 billion. 90% of this debt — and 95% of the service on this debt — was owed in convertible foreign currencies. In 1966 prices, this debt represented 14% of Gross Material Production, and in 1971, close to 30%. [World Bank Report, 1975]

The regional breakdown of foreign trade figures shows a decrease in the share conducted with the MEAC from 36% in 1965 to 25% in 1970. (The MEAC, Mutual Economic Aid Council, is the body coordinating the economies of the USSR and other so-called socialist countries — except China and Albania; Yugoslavia is an associate, not a full member; trade is carried on mainly on a bilateral basis, much like barter). On the contrary, the share of trade with the OECD (which includes the main developed capitalist countries) climbed from 47% in 1965 to 62% at the end of the period. Trade with Third World countries remained stationary or tended to fall off from 15% to 10%.

It was obviously the considerable weight of imports from the OECD which deepened Yugoslavia's deficit.

Making the signals given out by world market prices rather than domestic prices, the criteria for financial gain, drove imports up in all fields. And when the Yugoslav authorities imposed low prices to encourage the use of domestic energy and raw materials, the decision-making pattern and the decentralization of resources earmarked for investment created bottlenecks in the basic sectors. The high cost and deficiencies of interior transport also encouraged imports to the detriment of inter-regional trade. The very rapid pace of industrialization in the manufacturing industries — which benefitted from more advantageous prices and offered quicker profits — was not accompanied by a corresponding growth of the necessary infrastructure or use of raw materials. The main features of this development were therefore imports and credit extended by their suppliers.

The authorities time and again deplored and denounced practices of “unfair competition” between Yugoslav firms on foreign markets — but was this not the

utterly “normal” behavior called forth by the reform.

The frenzied pursuit of foreign currency — spurred by the fragility of the dinar and aggravating the crisis of the latter in the process — increasingly became the driving force of trade. Quite apart from the goods needed for production, firms were responding to a demand for imported consumer goods, sold at a large profit. The exploitation of price differences and advantages accorded to the export trade gave rise to numerous abuses. Certain firms reportedly exported their own goods to a fictional contractor only to reimport them at uncontrolled prices. In 1970, massive speculation erupted as the rumor of a forthcoming devaluation of the dinar spread; this then triggered a wave of preventive imports.

4. Yugoslav inflation

Horvat [6-1976] emphasizes that on the eve of the reform, quantitative theories and monetarist solutions espoused by the International Monetary Fund (IMF) had a definite impact in Yugoslavia. Thus, the dominant idea was that price increases were a reaction of the economy to the excessive expansion of credit — which expanded demand and gave rise to inflation.

Quite logically, this understanding led to the formulation of an economic policy bent on restraining credit and the money supply — the alleged causes of the price increases.

The measures taken fitted into this pattern: consumer credit was restricted, firms were compelled to use their savings to finance circulating funds, credits from the national bank to commercial banks were cut back, etc. The balance sheet was clear-cut: a catastrophe. The growth rate of the economy plummeted, emigration and unemployment shot up, while the reduction of credits and the money supply failed to stabilize prices.

The studies undertaken by the Belgrade Institute of Economics show that there was no positive correlation between the expansion of credit and the price increases — but rather a slightly negative correlation: the periods in which the expansion of the money supply was the greatest were also those in which prices rose the least. Branko Horvat summed up the findings of the Institute's research on the specificity of the Yugoslav price formation system: the sums allocated to depreciation and interest on the capital of a firm are fixed costs; wages are resilient to reduction, like everywhere, but far more liable to being raised and staying at the higher level even during phases of depression, thanks to the self-management system; therefore, taxes indexed to incomes can also rise automatically, even during a recession.

The self-managed firm has to pay the personal wages and taxes (to keep out of trouble) whatever the situation. In bad times, the firm neither hires new workers nor fires its existing employees, and production continues. At that point, stocks financed by profits and credits accumulate. When these two sources run out, their place is taken by extraordinary commercial credits (in the form of either reciprocal or compulsory inter-firm credits), and

eventually by price increases.

The quantitativist causality relationship — according to which the money supply determines the general level of prices — is thus no more convincing in Yugoslavia than elsewhere, at least when the use of credit is spreading and the plan falling apart.

In a period when the “wages” of Yugoslav workers sometimes rose faster than the productivity of labor, the explanation of inflation by demand has given way to the so-called “cost” inflation interpretation. Attention focused on the contagious effects of raises first obtained in high “organic composition” industries benefitting from “technological revenues”. A progressive tax had been designed to attenuate, if not eliminate, such revenues, not considered to emanate from labor. When this tax was abolished, income disparities widened, and the tendency for wages in other industries to try and catch up became the new “egalitarian” device.

While it is obvious that phenomena of this type did exist, the direction of the causality is not as clear: did wage increases provoke price increases or the reverse?

Even a potential positive correlation between wage and price increases would explain nothing in itself. The fact that output falls short of the amount of incomes distributed, may trigger some demand-based inflation — but this in turn requires an explanation of why adjustments in production do not take place. The question takes us back to the analysis of the modes of accumulation in industry and agriculture — in other words to the coherence of the entire system, not the “purely monetary” phenomena.

OECD experts see the source of inflation in self-management itself:

“An institutional system which allows workers’ councils to fix both the sale price of the products and the level of income distributed to the employees of the firm constitutes a structural element of inflation,” they write. [OCDE, *Etudes*, 1970, p. 53]

Is self-management doomed to immaturity? To tell the truth, it is once again necessary to ask what conditions the choices of incomes and prices in the Yugoslav institutional framework: the changing cost of living, the way in which investments are financed, the decisionmaking mechanisms in the allocation of credits and in production choices, the social and political forces which affect the whole process: these are part of a network of factors which strictly condition the atomized self-management system (the self-management system in force in Yugoslavia) and therefore stifle the latter’s entrepreneurial functions and, in any case, reduce its real management powers. This is why any attempt to explain inflation by self-management really explains nothing.

We must therefore follow through the analysis and examine the decisionmaking process in the new institutional framework, and still further, the very social relations of the system.

To conclude this point on inflation: money was made “active” by extending not only its volume but also its functions. This failed to produce the desired coherence. Inflation appeared when the conditions of accumulation — including its mode of financing — were transformed:

credit was generalized as a new social relationship between the banks and self-managed firms without the anticipated production being coordinated by a plan. Losses, duplication of effort and excess production capacity proliferated without any judgement by the market, without any socially accepted regulatory mechanism.

In capitalist societies, inflation is already a form of resistance to the market and to economic crisis — a way to postpone and shift onto all society the burden of bankruptcies caused by the verdict of the market. In Yugoslav society, this is one hundred times more so. The rejection of market verdicts is made profoundly legitimate by the ideology impregnating the system. This is not merely a matter of “propaganda”: the absence of real financial risk and the guarantee of employment draw their strength from the suppression of private property. This does not immediately or spontaneously endow the system with a new coherence. But it does call for a lucid examination of the relations between self-management and the market: is the latter really the former’s lifeblood?

III. Impact on self-management?

At the Second Congress of self-managed workers held in Sarajevo in 1971, V. Bakaric emphasized that between 1961 and 1968, firms had paid out more than half of their business fund as interests on credit. In most firms, assets were no longer sufficient to cover debts that had fallen due and interest on loans contracted earlier. The reproductive potential of the firms, composed of the business fund and the fund for depreciation, expanded in absolute value — but shrank in substance and relative value. From 1964 to 1968 (with the exception of 1966), investments made by firms out of their own resources represented a smaller and smaller share of the total sum for depreciation: about 37% in 1967, 32% in 1968 and 17% in 1969, according to Bakaric’s report in Sarajevo [6-1971, p. 102]. There were many instances when wages had to be paid out of the business and depreciation funds. In this regard, self-management had already lost some of its substance.

In the period under review here, “compulsory inter-firm credit” became a general trend, a characteristic feature reflecting the “cash shortages,” that is, the discrepancy between material production and financing, troubling the entire economy.

“Self-managed” workers as wage-earners

The recourse to strikes, despite the existence of self-management rights, testifies at the very least that self-management had gotten bogged down. From 1968 to 1971, social tensions were expressed particularly openly as strikes were now tolerated.

In practice, the search for professional management skills overtook political appointments — the technocracy replaced the “politocracy”. The Workers General Meeting lost its powers to the various management bodies; in the Workers Councils themselves, the percentage of workers decreased, from about 76% in 1960 to about

67% in 1970, according to official Yugoslav statistics.

The management teams decided in substance how to orient accumulation and finance the firm, and then more or less formally submitted their decisions to the General Meetings, to which experts also presented a mountain of technical documents. Self-management was also smothered by real difficulties of institutional and socio-economic origin: Josip Zupanov and several other Yugoslav sociologists have mentioned in particular “the sea of rules which imposes an enormous amount of red tape and raises the operating costs of the economic structures”. Frequent jurisdictional changes, sometimes designed to protect self-management, but whose meaning was not understood by those most affected, did little to help. Cultural differences were widely exploited to bypass actual control by the workers. The size of firms and the fusion and take-over processes underway in this period enhanced the autonomy of the management teams.

But this rise of technocrats took place in a society which had enshrined workers rights. Although a large gap had developed between the law and reality, self-management did exist, “as a negative.” It limited the powers of management teams, particularly in matters of redundancy. Here is what Vladimir Bakaric said about it: “No workers council would agree to dismiss large numbers of workers. In other words, no modern technique could be introduced and put into practice other than at the cost of new, important investments, far exceeding the funds available to the firm in question.” [6-1975, p. 81]

The Second Congress of Self-Managed Workers in 1971 made similar remarks:

“In the mining and steel combine at Zenica, the principle that no worker would be made redundant due to modernization or the reconstruction of production workshops or work units was recognized. A system of life-time training of all those directly involved in production and of experts was also instituted to ensure the necessary mobility and a rational division of labor. In the Bor mining and steel basin, the principle that no worker would be made redundant due to excess labor and that an equivalent job would be found for him in his own workplace or in another, was also given legal sanction.” [Typewritten document]

These remarks touch on the most sensitive question of the reforms in Yugoslavia as well as in Eastern European countries: **the right to work.**

As soon as one places the worker at the heart of a society’s value system, the conditions under which he or she may be recycled or transferred, become a central political problem. The defense by each individual worker — or each collective — of the job situation that they have achieved, is not always rational for society as a whole. But only two solutions exist: either the conflict is resolved expeditiously by “the laws of the market,” or else, mechanisms are found, that can involve those affected in the overall problem and arrive at solutions which do not harm their interests: that is by shortening and redistributing the necessary work time among all, and by ensuring that transfers or reconversions improve

status and recognized skills and take family obligations into account — the “additional burden” created by such procedures would be not only compensated, but outweighed by people’s enthusiasm for a government that made the right to work its guiding principle and the deepening of democracy in production its preferred problem-solving method. We are led once again to the very core of the argument.

Under the conditions of the Yugoslav reform, there was no solution to the problems posed, only two conflicting, contradictory logics: hence the “wage system-like” relations in the management of investments, that is, the fact that workers’ rights to self-management could only be defended by massive resistance to lay-offs and attacks on their living standards.

As for the firm managers, it is clear that lacking “real” ownership of capital and the means of production, they could hardly implement the capitalist rationality of maximizing profits and minimizing production costs. Wasting means of production and financial irresponsibility were not a particular problem for managers whose position remained insecure. In this respect, there was no qualitative difference with the position of the bureaucrats towards the plan, only far more powerful centrifugal forces.

IV. “De-statization” without real socialization of the means of production

Formally, in the period studied here, the “social sector” continued to expand in the Yugoslav economy at the expense of the private sector.

But if one wishes to look at the substance of things, the real trend was towards less control over the economy (“social property”) both at the macro-economic level and in the workplace. [See also Brus 2-1975].

An examination of the private sector will provide further evidence for this negative balance sheet.

Dynamic of private sector

The present and future place of the private sector and its relations with the socialized sector have been the subject of much debate in Yugoslavia. Certain authors, such as R. Bicanic, consider the controversy which divided the Bolsheviks at the time of the NEP of little relevance to the present. Given that the Yugoslav economy and its socialized sector have attained their present level of development, the “feeling of insecurity” and the fear of a revival of relations of exploitation are “difficult to understand,” they aver. Theoreticians like Branko Horvat [6-1969] developed a radically new approach to the problem: in the framework of the decentralized “associative socialism” model which he advocated, personal labor on private means of production could be a form of direct self-management. Thus, he believed that the market and private property (albeit without wage-exploitative relations) had a future under socialism. In the same vein, Alexander Bajt, another Yugoslav economist, developed

the notion of "social property — whether collective or individual," a form which existed provided that the private producer "did not appropriate a larger part of the social product than that issuing from his labor."

But the prevailing opinion remained suspicious and pragmatic. The private sector would be allowed to develop in those areas where the socialized sector was found deficient (by lightening taxes on private means of production). Nevertheless, restrictions remained in place: no more than 5 wage-earners in one's employ or 10 hectares of land in one's possession. At the same time, the inauguration of competition between firms in the two sectors took place after the dismantling of the plan and its redistributive functions. Under the circumstances, the reform caused a radical reversal of the way in which the two sectors of production had begun to interact, that is a reversal of the trend towards increased voluntary cooperation.

In 1964, there were nearly one million three hundred thousand members of cooperatives. In 1971, there were hardly more than 860 000. The drastic reduction of the subsidies granted to the socialized sector (in its entirety) was certainly the chief cause of this turn-around. But this is not all there is to it.

There was also undoubtedly a negative feeling about the administration's suspicion of, and general relations with individual peasants in the cooperatives. This explains the fragility of earlier advances towards cooperation. The peasants had directly experienced too many broken contractual obligations and suffered too often from an unequal balance of power, conflicts over the distribution of revenues earned jointly, and defeats in their attempts at self-management. In effect, they could only cast an indicative vote in decisions concerning their cooperatives and had no representatives as such.

These problems having been noted, it was not indifferent for the future direction of agriculture whether the focus of criticism and the key to the recovery effort would revolve around greater democracy and respect for the peasants within the cooperatives, or whether it was necessary to encourage the private sector to seek greater autonomy and spur it to compete more vigorously with a dismantled social sector. Whether or not this was the intended result, the policy of the reform actually pushed the peasants towards a retreat into individual solutions.

The incentive to cooperate was considerably reduced when private peasants perceived possibilities of improving their social position by making use of the margins of individual development still opened to them. The trend was all the greater in that the peasants felt their status was not stabilized, defined and recognized.

Joining the socialized sector became less attractive because the latter's position was deteriorating rapidly.

For a while at first, rising agricultural prices favoured agriculture as a whole in relation to industry: the reform had planned increases of 35%. In the first two years of its application, the rise was of the order of 66% (as against 28% in manufacturing industry and 59% in retail trade). But at the same time, the system reduced subsidies to agriculture to the lowest level in Europe. Federal funds for the financing of investments were also drastically reduced, in the general spirit of the reform. Very

rapidly, the rise in industrial prices tended to catch up with that of agricultural prices and made inputs more expensive at a time when credits were also more expensive. Losses increased.

The fact is that, under the constraint of market prices and new methods of financing investments, state combines and farms reduced their consumption of fertilizer by a third, the number of employees by half (particularly skilled personnel who were more expensive to hire), and the number of tractors and heads of livestock by about the same proportion: a fair proportion of these were resold to the private sector (whence the absolute fall in the number of tractors in the socialized sector). In the context of this general movement, cooperatives became less attractive and individually-owned tractors more competitive. The number of cooperatives was cut by half.

V. The rise of conflicts 1968-1971

By 1971, the rise of workers strikes combined with the movement of the students and left intelligentsia of 1968, directed at once against the market-oriented reform and the bureaucracy (see the two articles written at the time below), and the growth of nationalistic tensions caused a new institutional turn. The extension of market mechanisms was called to a sudden halt. But the dismantling of the system and of the various forms of solidarity which had existed, had reached the point of no-return. Two articles of that period give a good picture of the situation.

The student revolt

"Here are 'their' demands as they were published in *Student*, the official journal of the students:

'Political action program

To bring about a most rapid and efficient solution to the fundamental problems of our socialist society and self-managed community of one people and several equal and free nations, we feel it necessary:

I.

1. To adopt measures that will rapidly reduce the great social inequality in our community. To this end, we ask that the socialist principle of distribution according to one's work be applied systematically; that the criteria used to determine personal incomes be defined clearly and precisely; that a minimum income and a maximum income be instituted; that differences in personal income based on non-socialist, privileged positions connected to the monopoly exercise of power, be abolished. Actions must be undertaken against the accumulation, in non-socialist fashion, of private property. We call for the immediate nationalization of unjustly acquired property. The privileges of our society must be liquidated. Excessively high incomes must be taxed progressively.

2. To resolve the problem of employment rapidly

and genuinely, a long-term perspective for the development of our economy must be adopted, based on the right to work throughout the country. An investment policy allowing for full employment and the improvement of the material and cultural conditions of our people must be adopted. The hiring of young skilled workers must be made possible and therefore overtime and volunteer work must be reduced to a minimum or banned. Vacant positions must be filled by those who have the necessary skills.

3. Measures must be implemented to rapidly institute self-management throughout our society and destroy the bureaucratic forces which have fettered the development of our community.

We must systematically develop self-management, not only in the workplace, but at all levels, from communal to federal, so that the producers can exercise real control over the organs of production. The key to the development of genuine self-management is the ability of workers to make the decisions about working conditions and the distribution of surplus-value completely independently.

All self-management bodies must be responsible for the fulfillment of these tasks and socially responsible if they fail to achieve them. Personal responsibility must be given its rightful importance.

4. In parallel with the self-management bodies, all social and political organizations, particularly the League of Communists, must be democratized. In particular, a fundamental democratization of the means of public expression must be accomplished. Finally, democratization must make it possible for all rights and freedoms recognized by the Constitution to take effect.

5. An immediate halt must be called to all attempts to break social property down into private property. Attempts to transform individual labor into individual or group capital must be stopped. Legal measures to decisively eliminate such tendencies must be taken.

6. Real estate law must be amended immediately to prevent speculation on social or private property.

7. The commercialization of culture must be rendered impossible and the opportunity for creative cultural activity opened to all.

II.

1. The educational system must be reformed immediately to answer the needs for economic and cultural development and the development of self-management.

2. The right of all young people to equal educational conditions must be guaranteed by the Constitution.

3. University autonomy must be inscribed in law'.
[Trans. from the French—R. Plomenie, "La révolte des étudiants en juin à Belgrade," *Quatrième Internationale*, 26ème année, n°34, November 1968, p. 38.]

Workers discontent

"Apart from the information which has been published on the students' revolt in Belgrade, there has been an almost complete silence on the subject of the trade-union congress which met from June 26 to 29,

1968. However, this Sixth Congress of the Confederation of Trade Unions of Yugoslavia (CTUY) was the arena for an explosion of workers' discontent which surpassed the anger of the students in size and social importance.

For four days, speakers from different industrial sectors and regions of Yugoslavia spoke from the podium one after another, and criticized, in often brutal terms, the consequences of the "economic reform." The worker Milos Kicovic, speaking in the name of the metalworkers of Skopje, Ljubjana and Zagreb, protested: 'We have had enough of socialism on paper!' and called on the trade unions to defend the just material demands of the workers. On the eve of the congress, *Borba* published a letter from a metalworker containing very sharp criticisms of the government's policy. 'We should recognize,' he wrote, 'that now, when workers self-management is fairly developed in our country, it has produced a pauperization of the working class; this refers to the producers. And while the latter have to fight for their elementary rights, others get richer. Those who possess houses, villas and cars can take holidays overseas or go on excursions. This is why it is no surprise that the trade union is slowly dying off... I condemn the trade union because it has allowed the income of a metalworker to become hardly enough to live on. Our workers either move abroad or become unemployed here. It is the higher organs of the state who are to blame. We have given them their high incomes and their villas. We squabble with each other in the factory, but our money is going elsewhere. The trade union should defend the interests of the workers and not those of the government.' (*Borba*, June 1, 1968)

So powerful was the discontent expressed at the congress of the CTUY that Tito repeated the same maneuver that he had already tried at the time of the student revolt. He took the stand at the Congress and gave a strong indictment of the negative consequences of the 'economic reform'."

[Trans. from the French—X.Y.Z., "Le mécontentement des ouvriers yougoslaves," *Quatrième Internationale*, 27ème année, n°38, juillet 1969, p. 32.]

(We cannot deal here with the new institutional compromises of the subsequent period. For an overview see the chronology p. 32, and chapter IV (1971-1987) of : Samary [6-1988]. See also: Jovanov [6-1979] and articles by M. Lee and C. Verla in bibliography, part 6.)

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The Soviet 1920s debate on the law of value a critical review and update

N°7/8

Outline

Distinguishing two debates:

I. Is the market socially neutral?

- the contending positions
- the lessons of experience

The experience of the NEP
Experience since the NEP

II. The question of the "economic laws" of the post-capitalist transition

- Bukharin: the law of value as the exclusive regulator
- Preobrazhensky: the two antagonistic laws at work
 - Historical character of the law of value
 - Conflictive relations with world market

- The goal of transformation
- The hypothesis of a "socialist law of primitive accumulation"

III. Updating the debate

- Preobrazhensky's historical approach
- the question of the socialist law of primitive accumulation

Appendixes:

The Left Opposition and the peasantry
(extracts from the Platform of 1927)
Moshe Lewin on the grain crisis
Moshe Lewin on the "right" wing

The current demand for transparency about the present and future of the USSR has led quite naturally to a call for a review of its past, notably the events surrounding the rise of Stalin. Each current interprets the 1920s, notably the discontinuing of the NEP, in light of its own views on the future and its own balance sheet of Stalinism. History has become a political issue. But Stalinism muddied the record to cover up its tracks.

Distinguishing two debates

That is why, if one is to avoid confusion, it is now essential to unravel two separate issues: on the one hand, the question of the timing and method by which the NEP was ended; on the other, the nature and extent of the real conflicts and contradictions which the NEP created.

For it is possible to believe, along with Trotsky and the Left Opposition (see appendix p. 49) that both industrialization "at a snail's pace", as advocated by Bukharin, and the policy of forced collectivization and frenzied industrialization decreed by Stalin were mistakes. One can feel that Bukharin had a certain feel for the peasant question, and more generally for the need to marshal all existing know-how, while Preobrazhensky displayed a certain "objectivism". This inclination towards "objectivism" is perhaps part of the explanation of why Preobrazhensky ultimately endorsed the industrialization imposed by Stalin. In other words, simply stating that one agrees with "Bukharin's ideas" or with those of his opponent, mixes up two different questions, two aspects

and two periods of Stalinist policy. It is more profitable to explain exactly to which issue one is referring.

In our opinion, there is no doubt that the way in which the NEP was interrupted, has had lasting negative consequences on Soviet society. Neither forced collectivization, nor the "physical liquidation of the kulaks as a class," nor the pace and unbalanced options associated with industrialization were fatal and acceptable policies. Our criticism on this score is thorough-going. But it does not lead us to dodge another necessary debate which is the one that concerns us here: what was the NEP supposed to achieve? What could it achieve? And more generally what is the role of market relations in the building of socialism?

Our purpose here is not to make a systematic analysis of these debates. (See selected works on the Soviet 1920s debates in the bibliography). Moreover, once Stalin had imposed forced collectivization and industrialization, the contending positions shifted fundamentally in relation to each other: the criticisms levelled by Bukharin at that point were quite close, in many respects, to those put forward by the Left Opposition (which, by that time, Preobrazhensky had left).

Whatever our disagreements with Preobrazhensky and Bukharin, we cannot but note with admiration the high quality of the debates which they initiated, without the benefit of hindsight, in the early 1920s. The practical and theoretical questions which they raised then are still at the core of the problems facing all post-capitalist societies. These debates must be retrieved and brought up to date, beginning with a direct return to the true

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thought of the theoreticians involved — dismissing, therefore, the caricatures of their positions bequeathed by Stalin.

We shall focus here on the two questions outlined above: first, what social differentiations occur when the market is extended, and second, the theoretical debate about the economic laws governing the transition to socialism.

I. Is the market "socially neutral"?

The phrase "socially neutral" refers to the notion that the market is a mechanism usable interchangeably in societies of different class nature. If true, this would imply that the market, in of itself, does not foster any specific social relations.

How did Preobrazhensky and Bukharin differ on this issue?

a) the contending positions

Bukharin

Bukharin, like Preobrazhensky, was both a revolutionary and a Marxist theoretician. But unlike the latter, he held that the overthrow of the bourgeois state sufficed to insure the superiority of "socialist" industry in its competition with the private sector. This being the case, the market should be treated as an instrument that allowed "equal" exchanges to take place between the state sector and private producers; the operation of the market in this framework would enhance cooperation and therefore move society forward towards a socialist transformation. In this framework, the slogan put forward by the Bukharinists (the call on the kulaks to "enrich themselves") was intended to stabilize the "worker-peasant bloc," and even to bring about a decline of social conflicts.

"We will not reach socialism directly through the process of production; we will reach it through exchange, through cooperation." ("A New Revelation on the Soviet Economy or How to Sink the Worker-Peasant Bloc," first published in *Bolshevik*, Moscow, December 10, 1924. — Trans. from the French, Boukharine 1972, p. 189.)

In this article, Bukharin waxes ironic about Preobrazhensky's "uncertainties": for although the latter believed that cooperation could lead to the socialization of agriculture, he held that this was only one — the most positive — of several possible directions of the evolution of cooperation. Bukharin, on the other hand, believed this direction of evolution was guaranteed.

"Indeed, we are not evolving towards the consolidation of class relations, but towards their elimination. And the more rapidly accumulation takes place in the socialist economic environment and in its periphery undergoing socialization, the more the opposition between the proletariat and peasantry will diminish." (Idem, p. 186)

This particular dynamic stood in contrast to what

happened under capitalism, he argued, since in the latter situation, the integration of petty commodity production into the capitalist system sharpened the antagonisms between the interests of the bourgeoisie (the ruling class) and the small peasants.

Bukharin interpreted Preobrazhensky's doubts as a misplaced distrust of the peasantry, indicative of his "anti-peasant deviations." (We should note that Bukharin did not fear to use the sort of polemical style which later became notorious).

"What strikes one here, is Preobrazhensky's unpretentiousness; he does not polemicize with Lenin ... ; he merely asserts that one cannot make a theoretical analysis of something which does not yet exist, of what is called upon to rise." "According to Preobrazhensky," Bukharin continues, "the evolution of the peasant economy can go in three directions:

- petty production remains petty production;
- petty production, through capitalist cooperation, becomes capitalist;
- petty production becomes cooperative through a still unknown socialist path, of which agricultural cartels and communes are the first stages." (Id., p. 189)

And Bukharin comments:

"...Preobrazhensky does not understand the specific character of the paths available to the proletarian dictatorship. He imagines that the laws of evolution of the rural economy have remained the same under the rule of the proletariat as they were under capitalism. While under bourgeois rule the cooperative organizations of the peasant masses were integrated inevitably into capitalism, this will no longer be the case under the proletariat, with its proletarian ideology, banks, credit and organizers." (Ibid.)

Preobrazhensky

So, Preobrazhensky had doubts about the direction of evolution, as stated by Bukharin. One of the reasons was that he did not believe the superiority of so-called socialist industry (the state sector) was assured from the outset of the transition (we shall return to this point). He believed that social differentiation would inevitably grow in the countryside itself along with the extension of market relations. He had foreseen the rise of social conflicts so clearly that he wrote a small work of anticipation about it, entitled *From NEP to Socialism*. Its script involved the market breeding a new layer of "Nepmen" who then turned on the workers state and attempted to strangle it. More fundamentally, the author of *The New Economics* identified the contours of potential conflict areas with the rich peasants: on the one hand, in relations with the world market; and on the other, as a result of the inadequacy of industrialization and its inability to satisfy the needs of agriculture.

The first point was connected with the overall need to supply goods for export (mainly agricultural goods) to pay for the equipment necessary to industrialize the country. The state monopoly imposed low prices on the peasants, so that they were less favored than if they could have freely sold their goods on the world market.

Nikolai Ivanovich Bukharin

Bukharin was born in Moscow in 1888, into a modest teaching family. He joined the Russian Social-Democratic Labor Party in 1906, siding with the Bolsheviks. Deported to Siberia in 1910 for his activities in the Moscow region, he escaped in 1911.

During his years of exile (1911-1917), he followed the life of the international socialist movement, studied economics and wrote for the Bolshevik press. After the outbreak of World War One, he published a study on imperialism and an article on the need for a rapid withering away of the proletarian state. He briefly collaborated with Trotsky in publishing the review *Novy Mir* in New York in the winter 1916-17.

Returning to Russia after the February revolution, he was elected to the Central Committee of the Bolshevik Party in August 1917. He was in the leadership of the Moscow party during the October 1917 insurrection. His position on the 1918 Brest-Litovsk Treaty was rejected but he was elected to the Politburo in 1919. In 1920, as part of the collective leadership of the party, he argued for a position on the trade-union question which received a minority of votes. He was, at that point, a leader of the "Left Communist" faction. After emerging as one of the theoreticians of the centralized command economy of "war communism," he approved the launching of the NEP (New Economic Policy) in 1921, but was not reelected to the Politburo.

He was only reelected to the Politburo in 1924, after Lenin's death, when he began advocating the steadfast pursuit of the NEP. In that capacity, he attacked the opposition of "the 43," founded in 1923, which urged that industrialization begin; later, when Zinoviev and Kamenev joined forces with Trotsky, in the United Opposition (1925-26), Bukharin allied with Stalin. As editor of *Pravda* and *The Great Soviet Encyclopaedia*, and chairperson of the Communist International, he argued that the NEP was the preferred road for the transition to socialism which he believed could be achieved "in one country."

Nevertheless, by 1927, he had recognized the need for some measures of collectivization and industrialization. His break with Stalin in 1928-29 therefore concerned the scope, methods and consequences for the future, of such measures. After a brief attempt at a rapprochement with the former United Opposition, he, Rykov and Tomsky, argued for a position which became known as the "right opposition."

Defeated by the Stalinist apparatus, he accepted to "recognize his mistakes" in 1929. He then became Stalin's hostage in a variety of official positions (Director of the Institute for the History of Science and Technology, editor of *Izvestia*, writer of the Soviet Constitution of 1936). By 1934, Stalin began to fear that he might serve as a rallying point for discontent.

Bukharin was arrested in 1937 and judged in the third great Moscow trial. His defense sought to ridicule the prosecutor, Vishinsky, by admitting to the most "monstrous" crimes while denying the concrete charges. He was executed March 15, 1938.

Main works:

- 1915 *Imperialism and the World Economy*
- 1919 *The ABC of Communism*
- 1920 *The Economy of the Transitional Period*
- 1921 *The Theory of Historical Materialism*
- 1925 *Imperialism and the Accumulation of Capital*
- The Road to Socialism and the Workers and Peasants Alliance*
- 1928 *Draft Program of the Communist International (VIth Congress)*

Generally, Preobrazhensky stressed that any boundaries set on capitalist accumulation would be a source of tension.

The second point concerned the general state of the country. Preobrazhensky believed that it was naive to hope to build a stable alliance with the rich peasantry: increasing agricultural prices conflicted with the social goals of the regime (improving the workers' standard of living) and the state itself was not yet ready to supply the farmers with what they wanted: equipment, infrastructures, fertilizers, skilled personnel capable of bringing about improvement in the productivity of agriculture and the standard of living of the countryside.

"But the dictatorship of the proletariat could be placed in jeopardy not only insofar as we do not succeed to live 'on good terms' with the peasantry because of mistakes in our policy on relations with the countryside, but because our economic base will develop slower than the capitalist offsprings of our economy bred by the market economy." (*From NEP to Socialism*, first published Moscow 1926-1927. — Trans from the French, Preobrazhensky 1966, p. 328.)

Preobrazhensky therefore felt that it was indispensable to assign top priority to the industrialization of the country by skimming some of the income off the rich private agricultural sector — and providing it, in exchange, with the equipment, electrification, transport networks, etc, which it needed. He believed that the tax policy should make a clear-cut distinction in favor of the poor peasant who produced no surplus and whom the state should assist. This does not mean, as suggested by the caricature of this debate, that Preobrazhensky advocated imposing a rise of industrial prices on agriculture that would have smothered its elan — let alone that he favored accumulation at the expense of the standard of living of the population.

"My real opinion on this question can be summarized as follows. A just price-setting policy for products of state industry should try and meet the following three goals: it should provide accumulation for the enlarged reproduction and renewed technical outfitting of industry, it should raise wages, and it should reduce prices. Can these three goals be achieved simultaneously? They can. A contradiction would arise only if the economy remained in a stable condition, if the volume of incomes, both those of the state and peasant sectors, remained in a stable situation. Only then, would accumulation be possible only at the expense of a cut in wages or a reduction of prices But with an increase in the productivity of labor, the three-fold problem can be resolved simultaneously. Apportioning the benefits of productivity gains among these goals does not just depend on an increase in production and the productivity of labor, but also appears to be itself the indispensable condition of such an increase." (Idem p. 332-333)

It is clear from this quote that the real debate revolved in the first place around the search for productivity gains through a better organization of work; and in the second place, around the search for the optimum level of accumulation — not the maximum, as the

Stalinist industrialization policy later chose to present things — for the possibility of achieving productivity gains depends on raising the standard of living of the people, as Preobrazhensky stressed in this article.

One of the obstacles to achieving this optimum rate, the author wrote, is the fact that private trade is still in the hands of the private sector. As a result, in a situation of relative shortage, the latter could use the lowering of industrial prices for accumulation in its own sector — rather than to lower the prices paid by the consumers.

b) The lessons of experience

The experience of the NEP

Moshe Lewin's book, *The Making of the Soviet System*, gives a very precise account of this period of Soviet history. He demonstrates quite effectively that Stalinist policy was not a pre-determined project, but a bureaucratic response to the buildup of problems and tensions. His study reestablishes the historical truth in exposing the inaccuracy of Stalinist claims that the repression meted out at that time was directed exclusively against "kulaks". Stalin's distortions aside, the NEP did generate genuine problems. Moshe Lewin shows that real social differentiation had taken place in the countryside — but, in his opinion, rather between the poor and middle peasants, than between the latter and the kulaks who had basically disappeared. He emphasizes the chain of political mistakes which led to a more and more dramatic situation, culminating in the cessation of wheat deliveries and food shortages in the cities which threatened to strangle the regime. In this context, Stalin's policy appears as a blind forward plunge, over a wall erected by his own methods. Lewin's book does not deal specifically with the criticisms of Stalin made by either the Left Opposition or the so-called "Right" wing — which remained a loose current. But he carefully mentions the policy advocated by the Bukharinists — as well as their illusions that their price policy could solve the problems of relation with the peasants.

(See extracts of Lewin's presentation of the issue in the appendix to this chapter, 49-51).

Experience since the NEP

Other experiences since the NEP make a more precise balance sheet possible. The market-oriented reforms of planning in Yugoslavia, Hungary and China had definite positive — albeit short-run and contradictory — effects. We have examined the sort of conflicts and issues they generated in the previous lectures.

Stalinist charges of "capitalist roader" directed at reformers, make it particularly important to distinguish the rise of social tensions as a result of the extension of market mechanisms from the actual restoration of capitalism. The Stalinists' Manichean view has left deep marks; in reality, though, everything cannot be reduced to the bourgeois versus proletarian opposition. Between

social tensions and even antagonisms within the previously existing system, and the restoration of capitalism, there is a major gap, but also — let us not be naive in the name of rejecting caricatures — some rather sturdy bridges. A clear grasp of the distinction requires a very concrete analysis of the context and unfolding process. Previous experience with reforms shows that a section of the bureaucratic apparatus reacts to the social tensions created by the reforms long before the threshold of a qualitative change to capitalist restoration has been reached. But this apparatus itself is criss-crossed by restorationist tendencies — particularly if the political system does not allow such tendencies to express themselves elsewhere. The Yugoslav example shows that social disintegration can reach a critical point.

Moreover, the tensions and differentiations do not take place only between the private sector and state sector. They affect the entire social organism in each one of its parts. We already mentioned the need to look beyond the formal juridical status and uncover the relations of private appropriation existing within "social property," the horizontal inequalities and vertical differentiations created by the market within self-managed firms, processes which developed quite extensively in the

Evgeny Alexeievich Preobrazhensky

Preobrazhensky was born in 1886 and joined the Russian Social-Democratic Labor Party in 1903, siding with the Bolshevik faction. He attended a technical college and organized for the party in the Ural region. He led the party in this region during the October revolution. He was elected to the Central Committee in 1917, and given military assignments on the Southern front during the civil war. In 1920, he became secretary of the Central Committee.

Together with Bukharin, he wrote *The ABC of Communism* (1919) and participated in the Moscow group which published the review *Komunist* (in which the "Left Communists" of the 1918-1920 period were influential). He then began to study the theoretical and practical problems posed by the NEP: *From the NEP to Socialism* (1922) and *The Fundamental Law of Socialist Accumulation* (1924).

His investigations led him to support the proposals of the Left Opposition, which had integrated many of the theses of his major work *The New Economics* (1924). Having been removed from any active assignment, he undertook a series of economic studies which supported his calls for a policy of planning, collectivization and industrialization. He was expelled from the party in 1927, as part of the purge of the Left Oppositionists.

In 1928, it seemed that Stalin, in opposing Bukharin, had endorsed and begun to implement some of Preobrazhensky's proposals. The latter therefore argued that Oppositionists should support Stalin's course. But Stalin demanded a complete political renunciation as the price for peace. Preobrazhensky accepted these conditions in 1929 and was reintegrated. He was subsequently re-expelled in 1931, readmitted in 1934, expelled a third time and arrested in 1935. He disappeared in prison in 1937.

Lev Davidovich Trotsky

Trotsky was born in 1879, at Yanovka, near Odesa. His father was a well-to-do farmer. Trotsky joined a revolutionary circle in 1896 and became a Marxist. Deported to Siberia in 1898, he managed to escape and joined Lenin abroad, in 1902, to work on *Iskra*. After the attempt to reorganize the Russian Social-Democratic Labor Party failed, at the Second Congress of 1903, Trotsky steered a course between the Bolsheviks and Mensheviks.

During the revolution of 1905, he was elected chairperson of the Petrograd Soviet, then exiled to Siberia. He escaped again and was active in the socialist movement in Europe. During World War One, in Paris, then New York, he opposed the chauvinist pro-war policy of the mainstream socialists.

Back in Russia in 1917, he joined the Bolshevik Party, was elected to its Central Committee and to the leadership of the Petrograd soviet, from which post he organized the October insurrection. As a member of the Politburo, he was assigned, among others to lead Soviet diplomacy, organize the Red Army, and lead the Communist International.

He was in favor of the launching of the NEP in 1920-21, as a pause, but began arguing that limits should be set on it, and the plan strengthened from 1922 onwards. In 1923, he rounded these demands out with a call for democracy in the party and the soviets and joined the opposition of "the 43."

In 1925-26, he drew closer to Zinoviev and Kamenev to organize a joint struggle against what they described as Bukharin's "neo-NEP." This United Opposition launched an organized fight on a broad scale which culminated in the circulation of the Platform of the Left Opposition in 1927, despite a ban by the party leadership. The platform proposed to tax the kulaks, help the poor peasants, mainly through cooperatives, and expand industrial production.

This action led to Trotsky's expulsion from the party and his exile to Alma-Ata in 1928. Unlike Preobrazhensky, he considered that Stalin's sudden forced collectivization and first five-year plan with its emphasis on heavy industry, did not justify a suspension of oppositional efforts. He was therefore deported from the USSR. He continued to lead the Russian Left Opposition from exile, carefully following the evolution of the Soviet economy; when the Moscow trials were held, he dedicated considerable efforts to disproving the accusations of the prosecution before an International Commission of Inquiry headed by the humanist philosopher John Dewey. At the same time, he strove to build a new revolutionary International. He was assassinated by an agent of Stalin in August 1940.

Main works by Trotsky on the USSR

- 1921 *The New Stage*
 1923 *The New Course*
 1925 *Towards Capitalism or Socialism?*
 1927 *Platform of the Left Opposition*
 1927-1928 *The Stalin School of Falsification*
 1931-1933 *History of the Russian Revolution*
 1932 *The Soviet Economy in Danger*
 1933 *The Class Nature of the Soviet State*
 1935 *The Workers State, Thermidor and Bonapartism*
 1936 *The Revolution Betrayed*
 1939 *The USSR in War*
Again and Once More Again on the Nature of the USSR
 1940 *Letter to the Workers of the USSR*

Yugoslav reforms for instance.

Finally, it has become clear that a complex analysis is needed to determine the exact role and direction of evolution of petty commodity production. Bukharin was right to emphasize that the sector of private petty production could be socialized through the extension of cooperatives. We can also note now that the weight of petty production will probably last longer than foreseen in Marx's writings. This is true both in capitalist and post-capitalist society: certain sub-contracted services and the production of certain goods are probably better handled by artisanal or small-scale units than by the prototype of large-scale socialized industry, and will probably remain so for some time. (Alec Nove emphasizes quite properly the fact that bigness does not always yield economies of scale.) But this does not prejudice of the property forms.

On the other hand, there is not one and only one possible dynamic for the private sector. In particular, the elimination of bourgeois rule alone — possibly even with the elimination of the ability to hire wage-earners — cannot guarantee a positive dynamic. In this respect, Preobrazhensky was right to voice his doubts. One tendency that can arise is for the private units to retreat into self-sufficiency; another is for them to seek to accumulate at the expense of the state sector; finally, they can advance towards socialization through cooperation and new forms of the division of labor. The Yugoslav

A few turning points of

October 1917-June 1918
private industry under workers control tolerated by the Soviets

October 1917: the Bolsheviks hand over power to the Soviets; private ownership of large estates is abolished and their land is distributed to the peasants; the government tries to get private firms to resume production under workers control.

December 1917: nationalization of the banks
 April 1918: establishment of a state monopoly of foreign trade

June 1918-early 1921
"war communism"

Faced with the non-cooperation of factory owners and the demands of workers, the government proceeds to nationalize industrial firms. To meet the needs of the civil war, economic decisions are taken by central offices and the military administration; harvests are requisitioned and rationing is instituted; production is encouraged by political mobilization, the exaltation of egalitarianism and coercion.

1921-1923
the NEP accepted by the entire Bolshevik Politburo

The civil war, the blockade of Soviet ports and war communism had led to a drastic fall of agricultural and industrial output and to famine. The Soviet military

experience has shown that the very same juridical property relations on the land (with 15% in the hands of the state and 85% in private hands) can produce opposite overall dynamics: Yugoslav agriculture evolved towards cooperation between 1955 and 1964, and towards increased real privatization later. The fundamental difference was the qualitatively greater scope of market relations thanks to the dismantling of the plan in the latter period, combined, of course, with increasing bureaucratization.

Neither in Hungary, China or Yugoslavia does the balance sheet show a clear-cut trend in one or the other direction. It is sometimes difficult to draw out the main lessons because the bureaucratic methods employed in relations with the private sector are one of the factors that generate non-cooperation, retreat and speculation. Nevertheless, all the experiences speak loudly against naively downplaying the corrosive effects of the profit motive and private appropriation on human psychological and moral relations.

Now, if the market is not socially "neutral," should one accept to be ruled by its laws? And if not, is the only alternative to accept the arbitrary dictates of a bureaucracy?

II. The question of the "economic laws" of the post-capitalist transition period

We already discussed the law of value in the introduction to these lectures. On this question too, which has its own specificities and pitfalls, Bukharin and Preobrazhensky put forward different positions.

a) Bukharin:
the law of value as the only regulator

This was Bukharin's view on the law of value and is widely held in all the current debates, either in its Marxist guise or reformulated in "neo-classical" (free-enterprise) terms.

Let us first review the formulas most often expressed among Eastern European reformers of bureaucratic planning.

According to this approach, there exists a universal, inescapable "objective economic law," the law of regulation through the market (or law of value). The "true" prices determined by this market law should be allowed to form freely — that is, unfettered by any state intervention (unless the function of the state is defined precisely as enforcing the rule of market prices, as in Oscar Lange's model.) In this view, market prices serve as indicators helping to funnel investments towards particular

Soviet economic policy and development in the 1920s

victory offers the opportunity for a turn. A New Economic Policy (NEP) is discussed in late 1920 and introduced in 1921. It abolishes requisitions, lightens the taxation of the whole peasantry, authorizes a certain amount of trade of private goods and seeks foreign investments.

At the same time, structures are established to prepare advances wherever the situation makes them possible: an electrification plan is studied and the State Planning Commission (Gosplan) is created in February 1921, at first, with only limited powers. Despite the famine of 1922-1923, the economy begins to revitalize.

1924-1927
the extended NEP or "neo-NEP"
and the "scissors crisis"

Beginning in late 1923, the growth of the manufacturing industry begins to lag behind the growth of agriculture. Trotsky dubs the situation a "scissors crisis": peasants are increasingly reluctant to sell their goods at low prices, especially given the high prices of manufactured goods they need. A debate begins in 1923 on the desirability and means of rekindling industrial development and production.

On the one side, Preobrazhensky and Trotsky advocate restoring the balance by a progressive tax on rich peasants and a gradual extension of the purview of the plan: this is the quest for the "optimal" rate of growth. By 1925, the scissors crisis grows sharper and Zinoviev and Kamenev argue for similar measures; this provides the basis for the United Opposition.

On the other side, Bukharin argues that all peasant production should be encouraged, not as a carefully dosed concession, but as the most favorable road to socialism. He explains that family farms can be effective units and that they should be urged to join cooperatives only when the methods of the latter are clearly superior, that is in the future. Eventually, both cooperatives and farmer-employers would contribute to socialist industry through taxation. Stalin allies with Bukharin on this basis from 1923 to 1927.

But in the winter 1926-1927, the scissors crisis gets worse and Bukharin recognizes the need to control private trade and accelerate industrialization.

1928-1932
forced collectivization and
the first five-year plan

During the winter 1927-1928, deliveries of grain become so scarce that malnutrition threatens in the cities. Stalin then orders that harvests and cattle be requisitioned in the countryside, and launches a forced collectivization. Bukharin opposes these violent methods, warning that they would lead to a regime of terror; he is defeated by Stalin and the apparatus who succeed to win over certain former left oppositionists. The First Five-Year Plan, which had been discussed for a long time and changed many times, is now implemented with the priority to heavy industry and the energy sector.

sectors: a rise in prices as a result of insufficient supply leads to higher profits and attracts investors; on the other hand, a fall in prices as a result of overproduction or difficulties in selling a shoddy product leads to closing down that production line. This makes clear what are the appropriate specializations for competing on the world market — provided the capital of firms showing a deficit (at those price levels) is allowed to flow towards the more profitable branches. This implies that cheap credit and other forms of subsidies should cease to be lavished on lame duck firms. Many Hungarian and Yugoslav economists believe that, under these conditions, the overall equilibrium between branches of the economy would be reestablished and the foreign debt would be reduced.

This neo-liberal free-market world is, paradoxically, sometimes advocated by reformers who identify with socialism and Marxism.

"Neo-classical" free-market theoretical models have a real attractive power among economists of Eastern Europe. These models seem to operate "above" class relations since they deal only with the "producer" and the "consumer" "in general". They claim to be universal. Many reformers of planning in Eastern Europe believe that these theoretical models can be adapted to a socialist framework and even that they are compatible with a Marxist approach. (This is the standpoint of Branko Horvat in Yugoslavia).

Without entering into the finer details of all these debates, the basic idea of these pro-market reformers identified with socialism is that the Marxist critique of capitalism concerns mainly capitalist private property.

In other words, in their view it is the hiring of wage-earners by private firms which is the decisive criterion (which is why they propose stringent legislation on this point). Once capitalist private property is eliminated, or severely restricted, they believe criticism of the market as such is considerably less warranted. They argue that the state should oppose the accumulation of income from work performed by others — but that individual work performed on private means of production is another matter, as indeed it is. In that perspective, the role of planning is mainly indicative: providing firms with all the necessary information on the market for them to make the right choices, in other words, consciously implementing the laws which wild capitalist competition enforces blindly, at great cost, through trial and error and cyclical crises.

As we have seen, this outlook can be fleshed out as a self-management scheme in which firms managed by their workers must respect the strictures of competition for their own benefit and that of all society: this competition is supposed to make it possible to produce at cheaper costs and to adapt to consumers' demands more flexibly while enabling the self-managed firm to maximize its profit. (See for instance the self-managed models elaborated by Jaroslav Vanek in the United States.) More "Keynesian" versions of this approach assign the state a greater role: they argue that while the system should allow market prices and competition to serve as its key regulators, the center should guarantee that

Gorbachev:

"It was in these conditions that an attitude full of prejudice against the role of market-money relations and the law of value in socialism developed, and it was asserted that these notions were alien, even contradictory, with socialism. All this combined with an under-estimation of the balance sheet of profits and losses, leading to disorder in the establishment of prices and indifference for the circulation of money." (Mikhail Gorbachev, Perestroika and the New Thinking,

investments are allocated in the right proportions to bring about full employment.

These reform projects cannot be simply (or simplistically) labelled "pro-capitalist" — any more than it would be acceptable to label Bukharin a pro-capitalist. For Bukharin too, after asserting that the only possible regulator was the law of value, proposed at the end of the 1920s that the plan should consciously enforce the orientations that a perfectly pure competitive market would have enforced.

"The plan constitutes 'an anticipation of what, in the context of spontaneous regulation,' would have been established after the fact."

(Bukharin quoted in Brus 3-1968, p. 75)

But once you accept that the plan should restrict itself to consciously applying the rules of the market, it is easy to see why present-day reformers, given their experience with ponderous planning bureaucracies, prefer to eliminate the plan altogether. In other words, the hypothesis of a "socialist" use of the law of value (or of the market as a regulator, on the basis of neo-classical models) leads quite logically to the proposition that the plan should be dismantled — rather than to the simulation of a market mechanism, as advocated by Oscar Lange.

One of Bukharin's arguments against Preobrazhensky in this debate was that it was necessary to conceive economics as labor-saving economics under socialism as well as under capitalism. We already pointed out that this interpretation identifies all labor-saving economics with one particular historical form: the law of value.

■ In summary, according to Bukharin the law of value was universal in its substance. Only its form would change: just as it had undergone a change in the transition from petty commodity production to capitalism, so would it change again in the transition out of capitalism: this time, the chief difference would be that society could move towards its conscious implementation. The elimination of capitalist private property, and its corollary, the anarchy of decisions taken independently of each other, would make it possible to overcome the cyclical form of the capitalist crises.

**b) Preobrazhensky:
two antagonistic "laws" at work**

Contrary to Bukharin, Preobrazhensky believed that two antagonistic laws would coexist and clash in the immediate post-capitalist transition: on the one hand, the law of value (bolstered by the influence of the capitalist world market, among others), and on the other hand, a new law which he named "the socialist law of primitive accumulation." What were his arguments? How do they stand up now, in the light of experience?

1. Historical character of the law of value

For Preobrazhensky, the law of value was rooted in history. It corresponded to specific social relations — the existence of both a capital market (with mobile competing capitals) and a labor market (in which labor-power was treated as a commodity), which, together, allowed the market to function as a regulator. These capitalist relations of production corresponded to a generalized market as distinct from the partial commodity forms which survived in the "socialist transition."

"The socialist-market system and pure commodity production belong to two different types of economic structures.... It is impossible to separate the regulatory mechanism from the economic structure in which it arises.... The law of value precisely reproduces the relations of a market economy, and can only function as a regulator thanks to the development of these relations."

(Preobrazhensky, "Preface," *The New Economics* [Trans. from the French, 1966, pp. 59 and 68])

Preobrazhensky's interpretation was based on the Marxist theoretical tradition in quasi-philosophical fashion. Marx's writings beautifully explained how each society sets its priorities and evaluates its needs and costs differently. Proceeding in the exact opposite way than the "neo-classical" method mentioned earlier, Marx sought to uncover, behind the "producer" and the "consumer," the real property relations, the real forms of appropriation of the surplus, the specific overall class logic which each production system promoted.

In other words, for Preobrazhensky, the various ways in which social labor was "measured" in different systems, were not simply a formal matter (more attention to planned calculations) that did not alter the ultimate acceptance of the same proportions, as argued by Bukharin.

"Finally, to reduce the whole problem of the two different regulators corresponding to two different systems of social reproduction, and the whole question of the different material consequences caused by the regulator, to a difference in regulation mechanisms, in the narrow sense of the term, ..., was to substitute one aspect of the problem to the problem as a whole." (Idem, p.70)

The post-capitalist society whose "laws" Preobrazhensky proposed to analyze existed, and would exist, he

pointed out, in a new historical situation:

- It had to eliminate the existence of a labor market forthwith and confer a new and central status in the logic of production, upon the worker, as such; that is to liquidate unemployment forever.

- It had to try and eliminate capitalist private property while continuing to use the latter's resources domestically and in foreign trade.

- The market would no longer be dominant but would remain necessary on both the domestic and international plane.

- Moreover, experience had shown that the proletarian revolution would occur first in the weakest links of the world capitalist system. The problem of furthering the transition to communism on the basis of a lower productivity than that of the most highly developed capitalism, was therefore not only that of the USSR at that moment, but of Europe later, as it faced the United States.

Preobrazhensky attempted to think through the theoretical problem of the transitional period economy in the really existing historical circumstances, unforeseen by Marx, in which it arose: not in a society breaking with the most highly developed capitalism, nor in an immediately socialist society, as foreseen by classic texts in which the "associated producers" could dispense with the "detour of the market"; but in a framework in which the market was alive and kicking, although no longer dominant; a framework in which time would be needed to draw out the proletariat's own sources of productivity.

"At the present time, our state economy is both technically and economically weaker than Europe's and America's capitalist economy. The Soviet economy will be weaker ... than capitalist America's economy [and Japan's, we might add today — C. S.]. In its initial period of development, lacking both the material preconditions for the rebuilding of its technical base and the means to raise the culture and education of the proletariat, the socialist form cannot develop all the distinctive advantages organic to socialism...." At the same time, "it forfeits some [of the advantages] characteristic of a capitalist economy. [Preobrazhensky refers here to the coercion of the market, particularly the threat of unemployment as a capitalist mechanism to increase productivity — C. S.] The capitalist economy, "on the other hand, remains in full battle gear ..., which means that, even in the period of decline of capitalism, the socialist form generally has to compete and struggle with capitalism from a position of equality." (Preobrazhensky 1966, p. 184)

2. Conflictive relations with world market

As a consequence, relations with the world market — and the law of value — would be conflict-ridden. Preobrazhensky believed that autarky would be a regression and should be avoided. On the contrary, relations with the capitalist world would be a vital necessity. The question was, on what basis, with or without protection?

"... presenting the struggle waged in different forms against the private economy, including in the form of

Preobrazhensky's opinion on the relationship between the two laws in the different spheres of the economy as summarized by Brus

"Preobrazhensky distinguishes, among others:

1) The sphere of circulation between state firms, which, according to him, involves only the forms of commodity exchange and in which the law of value operates only with respect to the work force, and this, all the more strongly that workers have to purchase more consumer items from private producers and consumers.

2) The sphere of circulation in which the state appears as a monopolistic producer but not as a monopolistic seller: this applies mainly to manufactured goods sold to peasants. This sphere is regulated by the state, which sets prices but must take into account the structure of demand, which evolves to a large extent as a function of the profitability of private farms. This is therefore a field for "struggle" between the new laws governing economic processes and the law of value which still exercises some influence.

3) The sphere of circulation in which the state intervenes as a buyer (most often alongside other buyers, and therefore without a monopoly). This concerns mainly the purchase of industrial raw materials of artisanal origin. In this arena, the relationship of forces is the reverse of the previous case: the fundamental price relations are determined by the law of value (their maximum level being set by world prices and their minimum level by the conditions of profitability), and state pricing policy based on the new economic laws can have an influence only within this framework.

4) The sphere of retail trade, concerning consumer goods (particularly sales to the urban population). The operation of the law of value is reflected here, according to Preobrazhensky, by the fact that pricing policy must abide by the principle of the equilibrium of supply and demand, without this having the inevitable result of altering the division of labor in the sphere of production (for instance, without leading to an automatic increase of production wherever price is higher than value."

[Brus 3-1968, p. 70]

forced collaboration with capitalism, as a peaceful, 'golden legend,' amounts to idle superficial chatter above the real phenomena...." (Idem, p. 70)

And further:

"If economic relations were formed on the basis of the free play of the law of value of the world economy, in our country, at this time, this is what would happen: given the current prices on the world market and the over-industrialization of Europe, two thirds of our large-scale industry would be eliminated because it would show a deficit and prove unnecessary from a capitalist standpoint, from the standpoint of the world division of labor on a capitalist basis. [Emphasis in original.] Conversely, while our agriculture would eventually be deeply and durably transformed by the transformation of the country into an agricultural semi-colony of the world capitalist system, it would initially, during the first years, benefit from this [opening on the world market] because industrial prices would be lower and exchanges more favorable on the world market...."

(Trans. from the French—"Perspectives de la NEP", *Critiques de l'économie politique*, p. 116.)

Preobrazhensky added, for the Mensheviks' benefit, that allowing the law of value free play on the territory of the USSR would not have served the cause of the development of a national capitalism, but would have subordinated the national economy to the requirements of world capitalism, of its division of labor.

This question of the confrontation with world capitalism was central for Preobrazhensky — whereas Bukharin proposed to leave it to the side.

"Abstracting the foreign market from the discussion

Social Classes,

We include here a few reminders on the terms of the debate. The reader in the know can "skim" them.

Labor time (that is also the conditions of labor) in slave society was not the same as in feudal society or capitalist society. Each society organized its own "production" and "consumption." But the needs to be met were determined by the class relations, the values which flowed from them, and the mechanisms for the determination of priorities. Even in the era of petty commodity production, the bulk of production was not subordinated to the market but to the orders and control of the state.

Capitalist society too has its own coherence and criteria. But, unlike its predecessors, it hides its criteria behind the jumble of the generalized market. This is what is analyzed in *Capital*; not some pseudo "universal economic law."

The serf's surplus labor was appropriated in transparent fashion (to use Gorbachev's lingo) by being performed on the land of the feudal lord for a clearly delineated amount of time (or in the form of specific

amounts of goods to be handed over to the latter). The proletarian's surplus labor, by contrast, is appropriated in the form of a monetary "profit," which is determined by the totality of capitalist investments and sales on the market and therefore does not seem directly linked to labor alone. Exploitation is masked.

Likewise, when the market crowns the goods produced "at the lowest cost," it omits a "detail:" that among these "costs" is labor power. Labor power is considered as a commodity, a thing, a factor of production to be "combined" with machines, on the basis of criteria of profitability. Capitalist crises periodically reassert these criteria with full strength: "flexible work schedules" are imposed on the labor market thanks to the millions of unemployed.

Market prices seem to reflect only average "efficiency" (or "productivity") regardless of social relations. Prices appear as "objective" (above the judgement of human beings). But, these averages (the market) always render the verdict that the gains won by workers in good times, where the labor movement was strongest, are

means abstracting our reciprocal relations with the world economy; it means abstracting our completely exceptional relations of value with it, our monopoly of foreign trade ..., the fundamental conditions of our existence...."

("Préface" *Nouvelle Economique*, p. 78.)

This aspect of the debate is often omitted in overviews of the period, but it is the one which best illustrates Preobrazhensky's viewpoint: to make use of the market while resisting its implicit criteria.

3. The goal of transformation

The new historical problem to be resolved was how to insure the transformation of the starting relations — not their reproduction, expanded or otherwise. To be socialist, such a transformation required both the development of material resources and the lessening of inequality and relations of oppression, which the market tended to reproduce.

"Only by always taking into account both poles of the entire process (the initial pole and the final pole) can we understand the historical location of any transitional form, and avoid to lose our way in details or fall into vulgar economics which tries to pawn a superficial description of the present off as a scientific analysis of a concrete system."

(Trans. from the French: "Utilité de l'étude théorique de l'économie soviétique", *Bolshevik* number 15-16, August 1926, in *Critiques de l'économie politique*, p. 108.)

Note how far this is from the apologies of bureau-

cratic planning as "developed socialism."

4. The hypothesis of a "socialist law of primitive accumulation"

But, if the law of value cannot be the regulator of the new society, is the latter under the sway of some other law of accumulation? This is the hypothesis which Preobrazhensky advanced, while emphasizing that he was not yet able to define fully its content: only experience and scientific investigation would make it possible to make its contours more precise, retrospectively. He nevertheless gave a name to this new law to be discovered: "the socialist law of primitive accumulation" (primitive being used by analogy with the expression "primitive, i.e. initial, accumulation of capital").

He argued that this law should "dictate to the state" its decisions on relations — and transfers of value — between the state sector and private sector, since industrialization, in particular, required accumulation at the expense of the rich section of the peasantry.

We know how Stalin was able to refer back to this point, in caricatural form, to argue in favor of forced industrialization at the sacrifice of agriculture — and of the *nepmen* and private producers of all types.

III. Updating the debate

a) Preobrazhensky's historical approach

Preobrazhensky's historical approach remains fundamentally fruitful on the theoretical and experimental

History and Economics

costly and "ineffective."

The same problem arises in recording needs. The capitalist market satisfies only those needs which meet its own criteria: they must be expressed cash in hand (solvable demand) and satisfied through an adequate local profit. The capitalist crisis brings out the real content of this process: overproduction is overproduction of commodities — in the presence of immense unmet needs. Underlying these commodities, stands a capitalist relation: they must be sold at a profit judged "adequate" by each private capitalist.

It should be clear that when Marx analyzes the "law of value," what he is highlighting is not merely that, beneath the screen of prices, labor time is the substance of value, but that a set of social mechanisms and relations determine capitalist investments. The verdict on "socially necessary labor" is rendered in the last analysis on the basis of the conditions of production, the supply and demand ratio and the social relations which determine them. Competition between private capitals is the force which imposes this verdict. When this competition

slackens as a result of concentration of capital or state protection, the law of value loses some of its strength. Conversely economic crises and renewed competition sharpen its teeth: privatizations, the crisis of the welfare state are reflections of this.

Behind its quest for "the lowest costs," the market exploits and bolsters inequalities (between nationalities, between men and women, between generations). It prevents the taking into account of such essential needs as full-employment, ethical and ecological needs, collective needs, the aspiration to security and solidarity, the right to leisure and laziness. It only takes into account efficiency and costs in a private context, without measuring the "external impact" of its choices, the overall socio-economic effects, the psychological and moral effects.

What is a cost in the capitalist market system can become a source of renewed productivity in a socialist system: democracy at work (and not only in periodic elections to Parliament) and the extension of leisure time.

levels. Our lectures have shown that all attempts to use the market as a regulator, far from solving the problems of bureaucratic planning, far from being a socially neutral measure, and far from fostering socialist self-management relations, led in practice to a dead-end on these three levels.

More broadly, all countries which posed the problem of breaking with under-development and dependency were confronted with a central question. The same question will face all countries who attempt to follow that path: they must have relations with the capitalist environment, but cannot submit to its criteria if they are to remain true to a logic of satisfaction of the needs of the people.

This is not a plea for autarky. It is an argument for protection against the law of value, for a multiform defense which, though it may not insulate a country from the currents of the dominant economies, will enable it to steer a course against the stream. The more accurately it knows the forces with which it is dealing, the easier and better it can chart such a course. Yugoslavia's crisis is all the sharper that it opened itself wide to "healthy competition," that it assumed precisely that the latter was strictly "healthy".

We have found Preobrazhensky's historical approach to the law of value essential and illuminating in interpreting the Yugoslav self-management experiment: the law of value "needs" a generalized market to function as a "regulator." It "needs" both a labor and a capital market. In other words, it needs social relations that reduce "labor" (the worker) to a thing, to a cost, to a commodity that one (who? the workers self-management body?) can "substitute" or combine with other "factors of production."

Our balance sheet will therefore be paradoxical: the logic of "pro-self-management" market reforms leads to the elimination of self-management.

But the acknowledgement that the old criteria applied to the new society lead to a dead-end, does not in and of itself provide an obvious answer as to what a socialist "measurement" of useful labor might look like. The task then becomes the discovery of a new space-time (which can no longer be local and short-term once it is not defined by the market) and new mechanisms (actors) which will make it possible to judge what is useful labor.

This is the vantage point from which Preobrazhensky's view deserves some criticism.

b) The question of the socialist law of primitive accumulation

We do not believe that Preobrazhensky's formula of the two antagonistic "laws" should be retained. We prefer the broader formula of "two regulators." Competitive capitalism is the only instance in history when the economy seems to be imposing its "law" independently of the will of any human. (One can, of course, analyze the social relations hidden by the market and discuss the theoretical and practical role of the state in the mechanisms of competitive capitalism.) It is the fact that these apparently automatic responses are so widespread in the

market that gives the notion of economic "law" its value.

In the case of the "socialist" mode of accumulation or better yet, of the socialist transition, the term "law," although used out of respect for a scientific approach, seems less adequate, or even confusing.

For the author of *New Economics* presents the law of value as "the natural law of commodity production" — which makes sense — but, proceeding by analogy, states that one must equally seek "the natural laws of socialist accumulation which are known only in outline" (*La Nouvelle Economique*, p. 92) and which "dictate to the state ... on the basis of necessity, first, determinate proportions in the distribution of the productive forces ..., and secondly, determinate proportions for accumulation...." (idem, p. 107).

"... Which dictate to the state": this seems to imply that a single set of specific proportions — differing from those indicated by the law of value — is waiting to be discovered and that scientific investigation suffices to discover them.

But the range of possible choices is widening, a fact which the term "law" cannot emphasize. There are of course certain necessary constraints and requirements for consistency. These must indeed be discovered and made explicit — which amounts to saying that regulatory mechanisms suited to the new goals of social transformation must be found. The conflicts and imbalances which arise at each stage, as a reaction to each set of institutions and social relations, are a revelator of a search for consistency. But this is a long shot from a "natural law of socialist accumulation" above the actions of men and women.

Satisfying the needs and fostering the fullest development of each and every individual is a goal which imparts a qualitatively greater weight to certain subjective, cultural and social imperatives in the optimal "proportions" of accumulation and in the very definition of the criteria by which these proportions should be determined.

The bureaucracy was absent from *New Economics*. Who could "dictate to the state" the necessary choices? The "law" of socialist accumulation rapidly was transformed into a "decree."

The center of gravity of our approach therefore shifts the discussion from the issue of "plan versus market" to the issue of "who should decide?" according to what criteria, in line with what class interests and by what institutional devices? These questions hold whether applied to the market or to the plan (and to their combination). Preobrazhensky's historical and social approach to the law of value remained essential. But the bureaucratization of the plan proved to be a new source of social stratification which also threatened the socialist future.

As Preobrazhensky predicted it, market reforms yielded increased inequality — but the main threats of capitalist restoration were to emerge within the so-called social sector itself.

Putting an end to the rule of the market did make it possible to put on the agenda an economic logic which subordinated investment choices to the satisfaction of

needs, in the broadest sense — focusing on the need to transform the nature of labor and social relations themselves.

But the question posed at that point — and still not resolved to this day — was that of a mode of regulation which took into account, as an explicit imperative, "subjectivity," the choices made about society after a transparent presentation of their consequences.

In other words, the question of democracy as a factor of production must be placed at the core of the mechanisms of socialist accumulation. This is why we prefer the term "regulator" to that of "law" used by Preobrazhensky. We can then speak of the existence of a conflict between two regulators in post-capitalist society:

- one, based on the market, derives its consistency from the competition between different capitals, from free enterprise and its right to hire and fire labor power, treated as a commodity.

- the other, "socialist," places solidarity, the reduc-

tion of inequality and the conscious determination of the most important social needs (including full employment) at the core of its priorities.

Any attempt to reject Preobrazhensky's hypothesis about the two regulators must necessarily take one of two paths: it must either demonstrate what cannot be demonstrated, namely that the market can be a regulator that meets the criteria of socialism; or renounce the goals traditionally upheld by socialism.

We propose not to reject, but to make a critical update of Preobrazhensky's approach. To do so, one must accept the hypothesis of two conflicting regulators while rejecting explicitly the idea that the socialist goals can be achieved by bureaucratic means — or by a state that substituted for its citizens/workers.

The very great similarity between people's resistance to the decrees of the bureaucratic plan and their resistance to the laws of the dictatorship of the market reflects an underlying social consistency struggling to emerge. The social relations which would enable this consistency to

APPENDIXES

The Left Opposition and the Peasantry (Extracts from the 1927 Platform)

...In a country with an overwhelming majority of small and very small peasants, and small proprietors in general, the most important processes of this struggle [for the distribution of the national income] go on for a while in a fragmentary and underground manner, only to burst "unexpectedly" to the surface all at once.

...The various open or concealed forms of exploitation of the mass of handicraft workers by commercial and home-enterprise capital are an extremely important and, moreover, a growing source of accumulation for the new bourgeoisie.

Taxes, wages, prices, and credit are the chief instruments for distributing the national income, strengthening certain classes and weakening others.

...Only someone who believes at the bottom of his heart that our working class and our party are not able to cope with difficulties and dangers can say that a frank description of these contradictions in our development, and of the growth of these hostile forces, constitutes panic or pessimism. We do not accept this view. It is necessary to see the dangers clearly. We point them out accurately, precisely in order to struggle against them more effectively and to overcome them.

... In the class struggle now going on in the countryside the party must stand, not only in words but in deeds, at the head of the farmhands, the poor peasants, and the basic mass of the middle peasants, and organize them against the exploitative aims of the kulak.

To strengthen and reinforce the class position of the

agricultural proletariat — which is part of the working class — the same series of measures must be taken which we indicated in the section on the conditions of the industrial workers.

Agricultural credit must cease to be for the most part a privilege of the better-off circles in the villages. We must put an end to the present situation, in which the funds for assistance to the poor peasants, insignificant enough already, often are not spent for their intended purpose, but go to serve the better-off and middle groups.

The growth of individual farming must be offset by a more rapid development of collective farming. It is necessary to appropriate funds systematically year after year to assist the poor peasants who have organized in collectives.

At the same time, we must give more systematic help to poor peasants who are not in the collectives, by freeing them entirely from taxation, by assigning suitable plots of land and providing credit for agricultural implements, and by bringing them into the agricultural cooperatives.

... The party ought to promote by all means the economic advancement of the middle peasants — by a wise policy of prices for grain, but the organization of credits and cooperatives accessible to them, and by the systematic and gradual introduction of this most numerous peasant group to the benefits of large-scale, mechanized, collective agriculture.

The task of the party in relation to the growing kulak strata ought to consist in the all-sided limitation of their efforts at exploitation....

Only a process of growing industrialization of agri-

culture can create the broad basis for such socialist cooperation (or collectivization). Without a technical revolution in production methods — that is to day, without agricultural machinery, without rotation of crops, without artificial fertilizers, etc. — no successful and broad work in the direction of real collectivization of agriculture is possible.

... A successful cooperative structure is conceivable only if the participants enjoy a maximum of independent initiative. Proper relations by the cooperatives with large-scale industry and the proletarian state presuppose a normal regime in the cooperative organizations, excluding bureaucratic methods of regulation....

(Leon Trotsky, Grigory Zinoviev, et al., "Platform of the Opposition," in *Challenge of the Left Opposition* (1926-1927), New York: Pathfinder Press, 19..., pp. ..., 326-329

The role of the "grain crisis" according to Moshe Lewin

"The procurement crisis took the party unawares. (1) As late as October 1927, Stalin had publicly assured the country that the policy so far pursued had been successful and that everything was going well. (2) This could not have been a simple case of a misleading "official optimism," for such an unwise statement could not have been made if Stalin had foreseen what he would shortly be describing as the "peasants' strike."

When deliveries reached a dangerously low level and the attitude of the muzhik was threatening to cause famine in the towns, the Politburo headed by Stalin decided to resort to emergency measures. In the case of any threat the reactions of the leadership were automatically conditioned by their experiences in the civil war. What happened in effect was mobilization of the party's resources, the dispatch of plenipotentiaries with emergency powers and of workers' brigades, the repression and purging of authorities who were thought to be either inefficient or recalcitrant, the setting up of troikas for organizing the collection of grain, etc. The operation was military in character, as had been the case during the civil war. Similarly the "class line" was of the same inspiration: the poor peasants were promised 25 percent of the grain confiscated with their assistance from the better-off peasants. Clause 107 of the Penal Code introduced in 1926, concerning speculators, was invoked against peasants hiding grain.

However, despite the "class attitude" and the accusations made against the kulaks and the better-off peasants (at this stage, little account was taken of the differences which might exist between the two categories) — Stalin officially explained events as a "strike of the kulaks" — the real root of the problem lay elsewhere. Stalin knew, and said so, in another context; Mikoyan also made a statement to this effect in the party organ: the bulk of

the grain which had to be found was not in the hands of the kulaks but rather of the serebnyaki, the middle peasants, and they had no incentive to sell so long as there was nothing much for them to buy with their money. (3) How then were they to be prevailed upon to sell, and to sell, moreover, not on the free market but to the state?

The method chosen was the most expeditious one: closing the markets, applying administrative pressure, mopping up monetary surpluses. All this could not have been aimed just at the kulaks but precisely at the great majority of the peasants. These were very serious measures; and it was undoubtedly a time of crisis, particularly around about the summer, during the second wave of emergency measures, which had been introduced after the April plenum had in fact promised to end them.

Since the crisis was an unexpected one it is obvious that this "left turn" on the part of Stalin was not a line which had been well thought out in advance but a series of steps dictated by circumstances. This is a characteristic feature of the history of the Soviet "leap forward" and of Stalin's policy during this time.

...The regime was, therefore, a long way from any kind of "total collectivization," but, as we know, it was already on the road, although it was hardly aware of it at the time.

Stalin's thoughts about the situation had crystallized by the July plenum and still followed the same main lines, irrespective of the maneuvers in the internal struggle against the right wing, which brought into the open by the "procurement crisis," was now at its height. Stalin knew, and told the Central Committee in a speech which was secret at the time, that the peasant would have to pay a "tribute" (daan) for the requirements of industrialization. (4) This was Preobrazhensky's theory, but with none of the latter's scruples or reservations. Stalin realized that the workers, too, would have to be made to pay, and that this would give rise to increasing social contradictions. How, then, were things to be kept going for another four years or so, until such time as the state and collective sector would bring an improvement in the situation? Stalin had made up his mind: in the meanwhile, the regime would use emergency measures to collect the grain. He had already done this in the course of the year. He suggested it again in July and had made official policy of it by April 1929. (5) Bukharin scarcely exaggerated when he said to Kamenev: "He will have to drown the risings in blood," — but this Stalin was prepared to do. (6)

Footnotes

- (1) Speech by Rykov, *Pravda*, March 11, 1928.
- (2) See Stalin's speech of October 23, 1927, in *Socinenja*, vol. X, pp. 196-197.
- (3) Cf. C. A. Mikojan, *Pravda*, February 10, 1928.
- (4) Stalin, Speech to the July Plenum, *ibid.*, p. 159.
- (5) *Ibid.*; and the speech to April 1929 Plenum, *Bol'shevik*, n°23-24, 1929, p. 34; this speech is also in *Socinenja*, vol. XII.
- (6) N. I. Bukharin to L. B. Kamenev, in *Socialisticheskie Vestnik*, n°9, p. 10.

(Moshe Lewin, *The Making of the Soviet System*, New York: Pantheon Books, 1985, pp. 97-99.)

The "right" wing according to Moshe Lewin

"The differences between the right and the Stalinists may be summed up in terms of the controversy on one issue: Was industrialization and the transformation of the countryside to be carried out in the main by politico-economic methods or, on the other hand, by having recourse to 'emergency measures,' in other words, compulsion? Was the regime to opt for a vast network of coercion or for another, more flexible approach? (1) In this dilemma, the future of the whole of Soviet Russia was at stake.

The right naturally inclined to the flexible approach, and its faith was based on the possibility of achieving progress 'by NEP methods' and on its analysis of the crisis, which differed from that of the Stalinists. According to the right, the origin of the crisis lay in a number of errors: faulty planning, a faulty price policy, failure to implement a number of decisions relating to aid for agricultural production. (2) As opposed to this explanation, the view of the majority in the Politburo tended much more to stress objective factors, such as the smallness of peasant holdings and the prevalence of strip cultivation.

According to the right-wing analysis, the crisis could have been averted, and might still be prevented from recurring, if the authorities were prepared to retreat from their previous position by making certain concessions to the peasants (reopening the markets, better prices for the producers, aid to the private sector, and, if necessary, importing grain, etc) (3) for, as Bukharin was to point out, it was better to import grain than to resort to emergency measures. (4) Later, when the atmosphere was somewhat calmer, consideration could be given to long-term measures.

The right recommended a return to economic and fiscal measures as the principal method of influencing the market. It said relatively little about the sovkhozy, which it looked upon purely as an emergency measure; its attitude to the kolkhozy was more favorable, but it was all for caution in this direction and favored further creation of kolkhozy only insofar as the latter were demonstrably superior to and more viable than private holdings.

Later, about April 1929, the right-wing called for a two-year plan (dvukhleta) within the framework of the five-year plan and expressly designed to improve the condition of agriculture and overcome its backwardness. (5) The right believed that there was still hope of progress in the private sector, and they wanted to preserve the NEP, with its nepmen, kulaks, etc. They were prepared to restrict the power and growth of the kulaks, but only through fiscal measures. The need for industrialization was by and large accepted by the right at this stage, but they were against forcing the pace to the breakneck speed that appealed to Stalin. (6) According to their spokesmen, the country had by about the end of 1928 already reached the limit of its investment potential, and consideration must now be given to building up

reserves and to ensuring that the construction projects which had been undertaken bore some relation to the construction materials which were actually available. As already stated, the right also accepted the need for perekachka, but within limits which would still leave the peasants free to build up some reserves.

According to Bukharin, one of the reasons for the country's difficulties lay in 'a certain anarchy' and in 'faulty planning and faulty intersector coordination,' which were continually aggravated by the unjustifiably rapid growth rates. His 'Notes of an Economist' and other writings were a plea for scientific economic management (7), which, as we know, was hardly the strong point of Soviet industrialization, either during the first five-year plan or in more recent times.

In contrast to Stalin's thesis of the class struggle, which would intensify with the gradual progress of socialism, Bukharin's watchword was 'No third revolution!' In his view, the time was not yet ripe for taking communism to the countryside. (8) The alliance with peasantry (smychka) must above all be continued on the basis of the cooperative movement.

The foregoing is only a brief outline of the right-wing position. Part of their ideas have come down to us from Stalinist sources and we do not have a complete record of all their proposals or discussions. But the core of their beliefs is there and cannot lightly be brushed aside. Some of their analyses (for example, overreliance on the price mechanism and fiscal measures in a country which was engaged in a tremendous bid for industrialization; too much emphasis on the potentialities of the private sector in agriculture and not enough on the urgent need for fostering new organizational forms) were clearly mistaken. Others seem to have been completely justified, such as their objection to overly rapid growth rates, to excessive exploitation of the peasantry, to the lack of scientific method in the planning and implementation of the process, and to the exclusive emphasis on coercion.

Footnotes

- (1) On Rykov's opposition to a system of coercion, see Robert V. Daniels, *The Conscience of the Revolution*, Cambridge, Mass.: Harvard University Press, 1960, p. 329-330.
- (2) See N. I. Bukharin, Speech to July 1928 plenum, quoted by Daniels, *Conscience*, op. cit., pp. 331, 335; *KPSS v rezoljucijah*, op. cit., vol. II, p. 559.
- (3) The "rightists" proposals can be reconstituted from official sources (among others): Stalin, *Socinenja*, vol. XI, pp. 218-325; vol. XII, p. 92; *Bol'shevik*, n°23, 24, 1929, pp. 30-35, 46; *16-tyj s'ezd... stenotcet*, éd. de 1962, n°56, 133, 135, 215, 266.
- (4) *16-tyj s'ezd... stenotcet*, 1962 edition, n. 135.
- (5) *Ibid.*, n. 56 (materials from the party archives); speech by Rykov to Sovnarkom, *Pravda*, April 6, 1928.
- (6) Cf. *KPSS v rezoljucijah*, op. cit., vol. II, p. 558; Y. E. Rudzutak, *16-tyj s'ezd... stenotcet*, op. cit., p. 201; Bukharin disavowed any "wreckless march forward" (*skroropalitel'nye tempy*) in his "Political Testament of Lenin" ("Politiceskoe zavescanie Lenina") in *Pravda*, January 24, 1929.
- (7) N. I. Bukharin, "Zametki ekonomista", *Pravda*, September 30, 1928; and "Politiceskoe zavescanie Lenina", where he says: "We will win thanks to scientific economic management or we will not win at all."
- (8) Bukharin, "Politiceskoe zavescanie."

(Moshe Lewin, *The Making of the Soviet System*, New York: Pantheon Books, 1985, pp. 97-99.) ■

Conclusion

towards a social optimum

a comment on an opinion of Ota Sik

"Individuals cannot master their own relations before having themselves created them."

Karl Marx, *Foundations of a Critique of Political Economy*

From one world to another

In the Soviet Union, Preobrazhensky took as the starting point of his analysis of the "laws" of post-capitalist society, a remark which may appear banal, but is far from universally accepted: "The mechanism depends upon the economic structure in which it exists." (*New Economics*, Trans. from the French, 1966 p. 68)

The author of *New Economics* was convinced that the transition to socialism could accept neither the form nor the content of the "law of value" as its regulator. This did not mean dispensing with a domestic market or the world market altogether, but ensuring that their functions would eventually wither away as planned relations took their place.

Preobrazhensky's perspective presupposed that the plan would not become an instrument for the alienation of labor, for the subordination of the workers to economic choices and management decisions emanating from an alien body. The state had to wither away. (1)

Instead, the opposite happened: the state developed, became omnipresent and tentacular. The construction of "socialism in one country" (a largely underdeveloped one at that) became a declaration of war against all real or presumed enemies within the besieged fortress. (See Lewin, 1-1985). The plan had to be imposed down to its smallest details. This was how Stalin's "theory" understood the socialist law of accumulation's struggle against the law of value. Private initiative was repressed even when it was not necessarily threatening, and often without there being alternative forms of organization to replace it. Worse yet, along with private initiative, initiative of any kind, whether private or collective, was banned — stunting the potential for progress inherent in "social" property.

Meanwhile, back in the capitalist world, the 1929 crisis sounded the death-knell of illusions about the market's ability to restore the economy's health: free-enterprise free-market solutions to the crisis only made things worse. The problem was not only that mass production of consumer goods could find no corresponding mass outlets as long as wages remained only a cost. It was also that the new scale of production concealed a greater weight and concentration of the proletariat which

made the recipes formerly used to get over crises — wage restriction and mass unemployment — explosive.

Keynesian devices alone proved incapable of reversing the situation. Only the Second World War ultimately provided the political and economic conditions for a new prolonged period of growth. (2) The war against fascism quickly turned into a cold war against yesterday's allies. When the cold war ran out of steam, its relay was a "socialization" of capitalism, which Keynes had explicitly advocated as necessary for the survival of capitalism. It was no longer possible to treat collective resistance as "irrational" or to believe in the ability of market-based mechanisms to re-absorb unemployment. There was no reason why the interests of each and every businessman should converge by the grace of an invisible hand around equilibria that guaranteed full employment. The state had to intervene.

One cannot but be amazed at the continuing fashionableness of apologies of the market after the long post-war boom, which was largely based on limiting the role of the market. The fact is, the need for a planned system was expressed in the West as well as the East — although in the context of different social relations (and thus property relations) fostering different contradictions.

The socialization of risks in the West

In reality, we have seen a new rationality develop in conflict with the law of value on both sides of the divide, and on a far wider scale than in Preobrazhensky's time.

Capitalism has experienced, in its own way, a growing tendency towards the socialization of risks, towards the *ex ante* planning of production (of wages and profits): the credit currency has freed itself from its market base. But all this without eliminating private property and the profit motive, and therefore also the functions of money as a means of accumulation and speculation. (In a period of uncertainty, such as we live in today, credits which anticipate the realization of an already completed production, become "doubtful credits" and speculation replaces productive investment and increases the risk of financial collapse.) In a first stage, class contradictions were contained by the political settlement of World War Two and, in a second stage, they were attenuated by economic expansion. This happy state ended with the emergence of growing social resistance to Taylorism, conflicts over the sharing of added value and the workers' escalating demands in a period of growth and full employment. The logic of profit ("of supply," as its bashful theoreticians prefer to call it) was bound to reassert

(2) See Dupont et al. [4-1967].

(1) On alienation in the so-called socialist countries, see among others: E. Mandel [2-1977, chapters 10 and 11], Ticktin [2-1974] and the contributions of the Yugoslav philosophers Petrovic, Vranicki, Tadic, Pesic-Golubovic, Chaldarovic and Markovic in the review *Praxis* published in Belgrade in the 1970s, listed in part 2 of our bibliography.

its prerogatives at some point. The law of value, the law of the market, compressed and violated in a less and less competitive system has now reasserted itself with a vengeance under the guise of deregulation.

Nevertheless, all the problems raised by Keynes — not to mention those not raised by him — remain. Competitive capitalism is no longer viable. But the socialization of capitalism collides head-on with its property relations.

On the other side, bureaucratic planning has shown that it could industrialize with little or no recourse to the market. If one must compare this with something, it is better to compare it with countries which had the same socio-economic characteristics, that is the countries of the capitalist periphery. The political, social and economic costs of this pseudo-socialism are, of course, clear to all. Moreover, the dead-end to which it has arrived highlights the lack of class coherence of the bureaucracy. Whenever the latter resorts to market mechanisms — which it idealizes — it is saddled with the well-known problems of capitalist countries, but with different property relations: paradoxically, although denied the right to organize free trade unions and associate in political organizations, workers' resistance to market mechanisms has been and will remain more capable of winning gains than in the West, because the bureaucracy has no independent economic position: it manages the economy in the name of the workers. It is not the "real" owner.

This is the root of the dead-end to which both "state socialism" and "market socialism" have come. It is also what makes their confrontation with a capitalist market dominated by real owners, so complex.

Some remarks on the viewpoint of Ota Sik

In 1981, commenting on the Yugoslav experience and crisis, Ota Sik recalled the solutions he had advocated in 1968, during the Prague Spring. ("Pillars of a Democratic and Socialist System" [3-1981]). In this interesting critical re-examination of his position, he averred that it was "necessary to subordinate the process of distribution to democratically determined social objectives" (idem, p. 16). This led him to challenge the freedom which Yugoslav firms had had to distribute their net income:

"In the first place," he said, "such a mode of distribution does not permit one to insure a macro-economic balance. This ill-proportioned development produces high inflation. In the second place, this mode of distribution does not allow ... coherent differentiations of income, according to the performance of firms, due to a monopolistic income-formation structure.... Third, this mode of distribution prevents the achievement of democratic objectives based on developing the entire economy on the basis of alternative choices." (idem, pp. 18-19)

At the same time, though, Ota Sik maintained the proposition that investments should be allocated on the basis of the market and firms oriented on the basis of a search for the highest profit.

The precondition for a real debate on these questions is that each choice be subject to a real democratic discussion and decision-making process, whatever the level at which the decision is now made. Only then can one begin a theoretical and practical discussion, based on experience, to determine which problems can be solved more effectively at which levels (overall, regional or local), what advantages and disadvantages market mechanisms might bring in a given context and which problems they might be able to solve. (3)

Ota Sik's answer suggests three remarks.

First remark: the three options of self-management

The first remark is that if the freedom of self-management remains confined to a local level and oriented to maximize income, it will necessarily conflict with the desire for a macro-economic equilibrium and the control of inflation. There are three possible responses to this:

- One can return to a system in which self-management is constrained by rules set down by the central state (as in Yugoslavia in the 1950s — see lecture 2), but this means returning also to the conflicts and contradictions characteristic of that system described earlier.

- One can eliminate all forms of workers self-management and renounce the goals of socialism.

- Or, one can expand self-management to a national level. This implies revamping the system in such a way that the choices made on distribution at the central level emanate no longer from an institution alien to the self-managed workers who have to put them into practice, but from the workers' own decision taken at another level. The workers' interest in making these choices and abiding by them would stem from the possibility of resolving the problems which they encounter as consumers of consumer and production goods in the face of inflation; from the possibility of a better solution to the problems of employment; and, finally, from the possibility of broadening their horizons as producers/managers. This is the key problem which remains to be solved.

Second remark: Individual interests and social needs, Is there a convergence?

Which questions would be better solved by democratic central choices than by market procedures must be deduced — as Ota Sik does — from the macro-economic imbalances. But the distinction also depends on which hypothesis is upheld with regard to the possible sources of a convergence of individual interests and social needs.

(3) For a discussion of optimum growth and socialism see Lavigne [3-1978], Desprès [3-1978] Tartarin [3-1978], Duchêne [3-1978], Ellman [3-1978] Godelier [3-1978] Markovic [2-1981] and Genné [3-1978].

The role which Ota Sik and other theoreticians of market reforms attribute to the market flows from an idealization of the virtues of the market and a static and "pessimistic" view of individuals' behavior at work. Sik says it explicitly in his study: he sees no other way than the market to stimulate more productive labor of a better quality. Otherwise, he writes, each person "tries to maximize his or her income with the least expenditure of labor." (p. 13) This negative observation leads him to argue in favor a model in which the organization of production and choices about investments must remain subordinate to market profits.

We have attempted to show that this sort of mechanism for accumulation cannot have the virtues of capitalist management without having its disadvantages as well — and others besides. The "imperfect" reality of the really existing market will solve neither the problems of over-investment, growing costs and waste, nor those of the low productivity of labor. It will produce inflation and inequalities while postponing the socialist objectives of full employment and the dis-alienation of labor, producing more and more conflicts along the way. The social cost of a "perfect" model of maximization of micro-economic competitive profit would be even greater.

Put another way, there will growing divergence, not convergence, between individual interests and social needs if resources are allocated according to their potential for profit on the market.

Why not try to transform the motivations of individuals instead?

On the one hand, the inability of Taylorism, work broken into pieces, to raise productivity gains beyond a certain limit is well-known. On the other, the positive results achieved by Hungarian agriculture when margins of responsibility were increased; the way in which workers criticized waste in Hungary when social control developed in 1956, and in Poland under Solidarnosc; the suffering observed in workers prevented from "doing a good job;" the "professional scruple" analyzed by Kornai even when the system as a whole makes the effort ineffective, all testify to the existence of deep-rooted aspirations thwarted by bureaucratism as well as market relations.

These aspirations have far more to do with the content of labor than with its remuneration — provided the latter is adequate and each individual enjoys some regular improvement of her or his living standard. Once this sort of security is achieved, individuals can turn their attention towards other latent concerns. The idea that only the risk of redundancy and the individualization of remuneration can stimulate an improvement in the quality of labor is by no means demonstrated — quite apart from the fact that such incentives have perverse side-effects. As soon as labor becomes interesting in itself (and provides a standard of living judged socially equitable in a given context by consensus), routine and conservatism can easily be combatted through comparing results, through the pressure of teams working together, through the pressure of consumers of the goods or services, and through the pleasure of job well done.

But such progress and creativity of labor cannot be

fully realized in a single workshop or on the basis of financial management turned to the lure of profit. If work is still piecemeal, then the worker might as well do the least possible for the greatest possible income. Likewise, if workers exert their energy and imagination in vain because the system does not generalize such efforts, or worse yet, because they benefit the private interests of a privileged layer, then the workers might as well stay put and fix up their own home.

Workers self-management of the accumulation fund — "deferred consumption" — imposes a coherent system in which the objectives, the means, the relations of production and distribution, the criteria for measuring labor and the incentives used reunite the producer, the consumer and the manager. (4)

Third remark:
the means must be consistent with the ends

This leads us to a third remark about Ota Sik's position on differential pay according to the performance of the firm.

The Czechoslovak theoretician is right to emphasize "the monopolistic structure of incomes" in Yugoslavia. But it should be clear that, underlying this feature, there is a strong tendency (also noticeable in capitalist countries when the workers movement is strong) to generalize the advantages won by those with the best "performance," or to disconnect personal income (or wages) from competitive mechanisms (5) — trends which make monetary incentives counter-productive and a source of inflation. No one will challenge the necessity for material incentives. It is their place and nature which is a matter for debate.

Shortening the work week, eliminating the most tedious and strenuous jobs, allowing time for training, education, management tasks and leisure, providing men and women with the means to control the conditions that affect their lives, can be forms of non-monetary material incentives — along with the development of a taste for decision-making for its own sake.

These wellsprings of energy and creativity have not been tapped, even when self-management made them a real possibility. Would it not be better to take the goal itself — transforming social relations and raising productivity to reduce the work week — as an incentive and phase out those (monetary) incentives which have a disintegrative effect — and have neither been applied fairly nor demonstrated fully their alleged virtues? Reuniting the worker with his or her labor, encouraging the free public expression of needs and promoting a debate on the incentives themselves, would help to discard inadequate solutions to the problems. Democratic management of distribution networks could link raises in monetary income to increases in the general productivity of the

(4) See Mihailovic [6-1982] and Bensaïd [2-1976].

(5) See in particular Benassy et al. [3-1979].

system; this would incite workers to disseminate all advances achieved in their particular location, stimulating those with the "highest performance" to associate with others and pass on their know-how. At the same time, it could allow all kinds of incentives linked to improvements in the organization and quality of labor, to operate on a local level. This raises once again the question of what is the best time/space set in which the consumers can judge these advances and improvements. Should they measure it in the opaque, compartmentalized dimension of value? Or in the dimension of the entire chain of social labor and use value?

It is clear that the very tight connection between relations of production and relations of distribution, emphasized throughout Marx's work, appears in a very complex context when people's habits remain shaped by market incentives.

"The pipe dream that socialism can be achieved with the dull instruments left to us by capitalism ..."
Che Guevara

The basic contradictions are probably insurmountable.

"The survival of bourgeois norms of distribution reacts against planned relations of production," Ernest Mandel writes, "in the sense that it creates — in the context of a system prone to shortages — a strong incentive in favor of linking income not only to labor inputs, but also to the relative productivity of the latter, since it is calculated and therefore known. This link can be individual or collective; it can break up or accentuate the solidarity of workers in a firm or locality or a branch of industry. It will always [emphasis in original] accentuate inequality among the totality of the associated producers and will thus be a force tending to dissociate the latter subjectively." (6)

"Bourgeois norms of distribution," based on equality before the law in a situation where pre-existing inequalities survive and embodied in the formula "To each according to his labor," have been interpreted and applied in practice in a variety of ways, some of which have been discussed in this study. It is not obvious to us, beyond the need to overcome deformations which serve as a cover for privilege, which criteria should be retained to achieve the optimum distribution in the context of "socialist" accumulation. In a seldom quoted letter, Engels shed an interesting light on Marx's views on this question. (7) Referring to the debate about the mode of distribution under socialism, he wrote:

"We have dealt with this in a very materialist way in contrast to certain idealist juridical expressions.... But none of the participants (in the discussion) appear to grasp socialist society as something in continual change and progress... However, in a rational approach,

one can only 1) try to discover the mode of distribution with which it began, and 2) try to find the general tendency in which the new development proceeds." [Our emphasis — C.S.] (8)

This is a far cry from a normative vision of socialism "defined" as a society in which the mode of distribution must be "to each according to his labor." Already today, distribution according to needs has taken on growing importance everywhere. Yet have material incentives which can at once improve and transform labor, really been discovered?

"Pursuing the pipe dream that socialism can be achieved with the dull instruments left to us by capitalism (the commodity as the basic economic cell, profitability, individual material interests as a lever, etc) risks leading as to an impasse.... To build communism, it is necessary, simultaneous with the new material foundations, to build the new man.

"That is why it is important to choose the right instrument for mobilizing the masses. Basically, this instrument must be moral, without neglecting, however a correct use of the material incentive, particularly of a social character."

(Che Guevara, "Socialism and Man" (1965) [2-1987], pp. 250-251.)

"The commodity as the basic economic cell" and "socially necessary labor"

Under capitalism, the commodity analyzed by Marx is a contradictory unit: use value (produced by "concrete labor" with specific physical qualities) and value (produced by "abstract" labor, a product of human energy in general, the substance of exchange value). Value cannot be realized without use value. But capital subordinates use value to exchange value because profit is the objective and it does not exist without market value. Needs are of little concern. Only solvent demand (a need with cash in its pocket) matters, provided it can ensure a "sufficient profit." As soon as the profit from sales is no longer judged "sufficient," capital sacrifices the use values produced and the unsatisfied needs. In the final analysis, the "socially necessary labor" analyzed by Marx therefore incorporates a three-fold judgement whose mechanisms are at once connected and hidden by the market: a judgement about costs, a judgement about demand, and in close association with the first two, a judgement about the "suitable" social relations for a given society. The commodity as an economic unit embodies these three aspects.

In post-capitalist society, market mechanisms and money subsist. But their functions can change and eventually wither away to the extent that other mechanisms — other social relations — are able to assume these

(6) E. Mandel, "Du nouveau..." [2-1970].

(7) Rosdolsky draws attention to this in [1-1972].

(8) F. Engels's letter to C. Schmidt (VIII-1890) about a debate in the *Volkstribüne*, quoted by Rosdolsky [1-1972, p. 23].

functions better. Conversely, when the former fail to materialize, the latter will reemerge. Even when they are no longer commodities, goods remain the product of concrete labor (specific, not measurable) and abstract labor (comparable to other labors). The latter must be saved while the first is transformed (by reducing unpleasant labor and developing skills and mechanization). Nevertheless, the commodity no longer rules as the economic unit — the crisis of bureaucratic planning is not a crisis of overproduction of commodities: it is the crisis of bad (over/under) production of use values and the wastage of human labor.

Verifying that labor performed is socially necessary

In a "collective ownership" system, it is completely absurd to destroy any use values produced on the sole grounds that their cost of production — the labor expended on them — was (too) high, or that the entirety of the links in the chain of use values necessary for the production of a good is interrupted by a bottleneck (bad planning). The results can be analyzed and rectified without this adjustment requiring a change in prices to ensure "economic recovery." This is the reason why even incorrect prices do not prevent the system from functioning — albeit poorly, since expenditures should be measured in proportion to needs.

In *Calculs économiques et formes de propriété* [1970], Bettelheim rightly stressed that transitional society had not yet developed "concepts adequate for the measurement of social labor, which is never given in the dimension of physical labor." (pp. 19-22)

He noted in particular how difficult it was to "measure" labor "useful" for the satisfaction of alternative social needs which the system was capable of meeting at a given moment. In this regard, he wrote, the "socialist" equivalent of "socially necessary labor," related to "useful social effects" has not yet been found. Does not this theoretical problem lead us, we might ask, to an analysis of bureaucratic relations? (9)

The particular combination of private labor and social labor can be transformed. In competitive capitalism, a commodity is primarily the product of private labor: it is manufactured in the context of free enterprise, by private decisions taken independently of each other. Responsibility for this production is private — this is the price a capitalist has to pay for keeping his profit. The risk, if the private labor expended is not recognized by the capitalist market as "socially necessary" — in other words as corresponding to a demand which incorporates a "sufficient profit" —, is bankruptcy for the firm, meaning unemployment for the worker. Planning, even bureaucratic planning, confers on labor expended a certain

direct social content — at the same time as it shares risks collectively. (10)

This is not the only difference. The market in combining the various aspects of a commodity renders verdicts which punishes waste. On the other hand, socialism, more than any other society, requires a value judgement on the quality and quantity of labor — from the standpoint of the worker as a producer as well as a consumer. The risk can be assumed collectively. But it remains necessary to correct faults and errors; the system must find its own equivalent to "socially necessary labor." Quality control and the verification that needs are actually satisfied are indispensable. The judgement of the user (whether an individual consumer or a firm receiving equipment goods) must be expressed.

The act of purchasing can be one of the means for this verification. But it does not necessarily follow that money is the sole or best means of judgement. The fact that a good or service is not purchased gives no clue as to the reason why it was not purchased. Likewise, defective goods might be purchased and the defect not reported. Prices can be allowed to reflect insufficient output. But if the rare goods are also essential goods, a debate over how they should be distributed is necessary. Otherwise, the price increase will benefit the rich. Moreover, it is not desirable for increases in free prices to provoke a disorderly rush of investments towards the newly "profitable" industry. On the other hand, such price increases could be taken into account to make a specific market study and avoid the anarchy of overproduction of commodities. Public discussion can assign various needs a grade of priority and reserve sufficient centralized resources to ensure that everyone's "absolute needs" are met. Other needs could be left to the purview of decentralized collective initiative and individual initiative. Computers are an essential means for recording needs, making choices clearer for the producers, and taking macro-economic constraints into account in decentralized choices.

Communities affected by particular undertakings could pass direct, periodic judgements on the latter, thereby contributing to bring them more in line with the overall goal of satisfying needs more thoroughly.

If it came after all these mechanisms, money could cease to be a means of private accumulation and therefore a source of speculation. It could cease to be the means by which private labor is recognized as social — at least through the dramatic procedure of declining sales and bankruptcy as an individual risk. On the other hand, it could remain a means of circulation, a means of verification of the actual use of a social expenditure (thanks to a relationship between the private and the social). [Bettelheim 1946] And if the direct judgement of those affected (the producers and consumers) confirms the inutility of an unpopular product, the means for a reconversion and better use of the means of production and labor involved

(9) In the same vein, Bettelheim emphasized that "the solution of this problem requires ... a sufficient degree of transformation of the transitional social formations" [3-1970, p. 3]. But he did not pursue his critique of existing social relations further. He later described his earlier position as "economism" ["Introduction" to 2-1974].

(10) On these issues of the status of labor in the transitional period, see Bettelheim [3-1946, 3-1968 and 3-1970], Bonœur 3-1981], Horvat [2-1964], Preobrazhensky [1-1966], Bukharin [1-1976] and E. Mandel ["Du nouveau..." 2-1970].

could be determined by society. It is the communities of workers and consumers affected by the same production of goods or services who should be able to determine whether a job performed less effectively than another remains nonetheless useful — and how it can be improved.

In the same way as the commodity as the basic economic cell incorporates a three-fold judgement on costs, needs and social relations, social control must extend its sway over these three fields: but the techniques for recording costs and inventorying needs must be subordinated to overall social choices.

What needs to be challenged is not — in Bettelheim's words — "the theoretical space of the plan" ruled by use value, but who controls the plan and who determines which space is under its sway — or under the market's.

As long as really expended, "physically controllable," labor is hidden by the bureaucratic plan — which covers all waste, feeds parasites and perpetuates alienated labor — or, alternately, as long as it is "reified" by the market, the bureaucracy will have the upper hand and labor will reject all attempts to measure it "socially."

The commodity has begun to wither away as the basic economic unit, but without allowing economic democracy, its dialectical antinomy, to replace the market, without passing its powers to judge the social expenditure of labor on to the "associated producers" themselves. Granted eliciting the producers' judgement is not easy, but without the will to do so, it is impossible.

We admit, then, to a continuing "prejudice" against the market as a regulator (as distinct from the partial use of market mechanisms). The problem is that one cannot let all the functions performed by the market simply wither away along with the market itself: other methods of determining costs, waste and needs must be invented. The debate then shifts to another terrain in which the standpoint of society as a whole is the starting point of a new economic logic — and not a footnote, a sentimental wish or a band-aid applied after the damage is done. Once this terrain is accepted, the focus shifts to a case by case discussion of which social needs should be met first and how — drawing the balance sheet of experience for all to see. This approach therefore requires that a distinction be introduced among various needs, as suggested by Ernest Mandel in his debate with Alec Nove, between those which are considered (by those affected themselves) essential, strategic and to be met before all others; and those which are diversified and can be met by decentralized means, on the basis of other forms of financing and distribution criteria. The whole process could be subject to periodic balance-sheets and adjustments. For clarity of choice, the advantages, disadvantages of each particular option must be fully discussed and the coherent set of decisions and mechanisms which its implementation would require, made explicit. The quality of life and work, relations with nature, ethical preferences,

fundamental desires for national and international solidarity are all "needs" which cannot be expressed by the market and should be the subject of debate and explicit judgements, and present in all decisionmaking procedures.

The process of dis-alienation of labor should be the goal consciously pursued at each stage: whether the choice concerns priority needs or the institutional, cultural and socio-economic methods to meet them. This the function of democracy.

Economic democracy as a relation of production and distribution

The democratic process described here is neither simple nor always direct. It must free itself from the fetishism of commodity relations at one end and the bureaucratism of administrative orders at the other. Experience shows that this requires a complex set of institutions, mechanisms and means.

The problem is not mainly technical, although computers and audio-visual methods are essential to solve the questions posed in this process: the choices available to an industrialized society are many and varied, as are the social interests present. Class differences will disappear slowly. They can revive, even in post-capitalist society. To these are added other forms of stratification and conflict. In addition, the same individuals do not necessarily have immediately convergent interests as consumers and as producers. National and community aspirations, sexual and cultural differences will also remain durable sources of tension.

In this context, it is best to take the perspectives bequeathed by Marx and Engels for what they are: general guidelines for another mode of social organization in which the development of productive forces stems from the dis-alienation of labor, in which the conscious extension of each new gain for the benefit of all replaces equal competition among the unequal and in which the criteria of profit and solvent demand ceases to limit the satisfaction of needs. Their perspectives are not indications on how to get to such a society and how to organize it. But what they are is not insignificant for the critical analysis of "really existing socialism."

On this point Alec Nove [1983] dissolves the Marxist argument into an overly general and therefore irrelevant point. He is right to emphasize the naïveté of a vision of socialism without differences, without conflict, without specialized professional skills, where each individual would be interchangeable with the other in every task. Granted also that direct democracy does not resolve all problems in and of itself, contrary to the impression one might gain by taking Marxist texts too literally. But it is the substance of the matter which is important to us: can one and should one strive towards a society in which a monopoly of power based on privileges no longer exists? In which differences would no longer foster relations of oppression and exploitation? These questions pose the need for an experimental evaluation of the conscious, political means to combat the spontaneous

mechanisms which have used differences to reproduce or produce and crystallize relations of oppression and exploitation.

Each and every individual cannot decide everything all the time.

Bringing the decision closer to those who are most directly affected by its effects can help to define the necessary institutions.

From this viewpoint, the "associated producers" should have the decisive say over the organization of their work. Another clear imperative to counter exclusive and therefore oppressive decisions, is that various communities (nationalities, women, youth) be given freedom of speech and the right to organize. (11)

The fact that society must pay a high social, economic and cultural cost when an important dimension is denied expression and smothered, is probably the only rational force that can motivate the search for a consensus. Conversely, when substantial social and cultural differences persist, counterposing appeals on the people as a whole to work out their problems "all together" rather than engaging in allegedly old-fashioned struggles [François de Closets 1985], is at best naive, and more often than not, a deliberate mystification. Consensus has no chance of becoming an effective method of decision, capable of reducing antagonisms, unless the antagonisms have already been reduced as a result of a more egalitarian distribution of labor and a more egalitarian appropriation of its results. This is why institutions of power cannot be discussed separately from property relations and the socio-economic decision-making mechanisms.

Just as direct democracy "needs" institutions to avoid being purely formal, so it "needs" a process of reduction of social and cultural inequalities.

When efforts to resolve these different aspects of the same overall problem are applied separately, at different times, power arrangements and antagonisms can crystallize and become more difficult and costly to challenge.

Parties, experts, groupings

The idea that the main economic choices should be the purview of the Party (or of several parties) is as much a mystification as that which reserves these questions exclusively for "experts." But it would be equally false to oppose to these two impasses the naive vision of a direct democracy which could do without either political debate or experts. The mistrust of economists

11) In his article on new forms of democracy and socialism [6-1981], Markovic gives a general statement of this approach: he believes that federalism is the optimal form of representation of diverse communities in an overall socialist society; Houses of representatives of the citizens, the nationalities and the producers would make it possible for the various views to be compared and proceed to osmosis. Negotiation and consensus should be the most favored form of decision-making.

who raise certain partial theories and methods to the rank of universal — and therefore undisputable — rationality is mirrored by the mistrust of politics perceived as pure manipulation and hunger for power.

Economics is like a weapon, Serge C. Kolm notes quite accurately; all depends on who is using it. The same is true of politics.

The pluralism of expert opinions, the right of every institution of direct democracy to resort to a "counter-study" by another expert, is just as essential as the pluralistic expression of political options, whose function should be to fight the languages of experts. But scientific institutions, like parties and other political groupings (whether in party form or not), should not wield the actual power of decision. Groupings in political communities can give an overall view of the problems and stimulate self-activity. The possibility of resorting to the judgement of experts can give confidence. The guarantee of being able to defend oneself against abuses of power also contributes to making recognized rights credible. In other words, both self-management as an integral system, and direct democracy require scientific institutions and political groupings.

If, on the other hand, parties or experts substitute themselves for direct democracy, the people will remain confined in the narrow horizons of everyday life and growing conflicts of interest will emerge.

But as long as any form of "central" choice, that is of choice affecting society as a whole, is identified with "statism" and dictatorship — because repeated experiences have anchored this in people's minds — the debate will remain on a false basis. Localist, regionalist or corporatist interests will be inevitable, whatever the formal decisions taken on the harmonization of interests.

The future: socialist utopia

"U-topia means nowhere, in other words a society which does not exist. Not one which is impossible."
Serge-Christophe Kolm [3-1984]

Socialism will not mean uniform individuals, raised in the same mould — fortunately! On the contrary, it will mean new differences and new conflicts. The wager expressed in socialist utopia is not that a society without contradictions can exist, but that with a certain level of socio-economic and cultural development, human society will be generally freer. It will be freer by consciously mastering the constraints under which it must exist, and transforming them so that each victory over nature and time can be shared among all.

This is a wager still untested by events, but not untestable. In an age when productive forces have been internationalized, when "the creation of real wealth is less and less dependent on labor time," the viability of this wager cannot be judged on the level of development of a particular country, but "depends on the general state of science and of the progress of technology, or the application of this science to production...." (Karl Marx, *Grundrisse*). ■

Bibliography

Outline

0. A few introductory books
1. Debates on the USSR of the 1920s
2. The debate on the class nature of the USSR and kindred states, alienation and socialist democracy
3. Theoretical and practical problems of planning
4. External constraints: the world market, underdevelopment, unequal exchange, crises.
5. The USSR and Eastern Europe since the 1940s
6. Yugoslavia
7. Periodicals

0. A few introductory books

For those who wish to become acquainted with the discussion:

on the Soviet 1920s debate:

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