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Plan, Market and Democracy

The experience of the so-called socialist countries

Catherine Samary

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

In East European countries and the USSR, debates between supporters of the plan and supporters of the market are often argued 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 bureaucratisation 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 deprive 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: Editions de la Brèche, 1986. 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 real 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 alter 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 debts 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 attempt 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.
Planning, markets and democracy

Catherine Samary

attempting to protect their incompetence against any form of penalty. It comes also from workers who cannot accept being told, 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 emerging is an observation.

In other words, it is not only the welfare state that should be subjected to critical scrutiny, but also the generalised market. For hidden behind 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 problem. 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: the socialist state cannot afford to subordinate itself to 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 real contradiction that 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 standards. The real contradiction is not between the bureaucracy 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, or (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 success of history. They were grounded in a critique of the contradictions of the capitalist system, of "generalized commodity production." The superiority of socialism/capitalism could emerge only by organizing human labor on a new basis, on a scale at least as development of productive forces and 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 was a problem, and so was the lack of Rousseau's "natural sovereignty" and the need for a "natural" model for the economies of the most modern capitalist development and the legacy of pre-capitalist 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."

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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 assumptions differ between authors. 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 not as 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) and, somewhat differently, by A. Kowalewski (5-1985). The notion of a transitional society to socialism is also upheld by several Yugoslav authors (Horvat 6-1969), Official Yugoslav terminology became more fluid. But the term “socialism” 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 presentation by Karelitz (Karelitz 6-1966)).

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 reflection 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 transition” (5-1975).

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 Protopopov'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” (6-97).

One should note, however, that there is an objection to this approach when applied to contemporary so-called socialist countries. On the doctrinal plane, the idea of a transition to communism, even when one insists on the 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 force of antagonism. The problem is 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 either a capitalism or a breakdown of the transformation of social relations as a result of bureaucratic rationalization. This is why we prefer to describe these societies as postcapitalist societies, insular, of course, of the capitalist mode of production but open 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.” 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, its tendencies 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 “Socialism = socialism” (even if one adds the adjective “undeveloped”) does not resolve the problem, far from it. But any attempt to go beyond that and to 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 of “socialist” or “social” property? Is it a question of 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.

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, Board 4-1987)

This raises the question of the qualitative leap which 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 social 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 control the means of production and that the surplus does not automatically mean that the appropriation of this surplus is “capitalist” — unless one wishes to give this term a dull and ahistorical 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 inactivates units of production to introduce machines against, relying on the weapon of unemployment, “the industrial reserve army.” This process is finally consummated when it is legalized and protected by the state.

But one should not confuse a ten-year and the final product. Capitalism: was born: to the midst of societies with which it did not exist. It is clear that the Bakharin and many Yugoslav economists — have argued that the elimination of private property at once eliminated all dangers of capitalist exploitation and precludes the development of new social and political 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 — 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 more readjustments of bureaucratic planning will prove ineffective and that what is needed is a radical critique of Stalinist practices and post-Utopian theory. But one cannot argue for the collapse 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 self-managed by the workers, must inevitably end up in these dead-ends.

In fact, if reformers really want transparency and democratic control, the first thing they should do is to adopt the new reforms, to is make a public balance sheet of similarities.
Overall regulator or partial mechanism?

For Wlodzimierz 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 it is shown.

+ Brus

"It is most important, in my opinion, to reject resolution once and for all the idea that the very fact that market and monetary categories appear, testifies to the existence 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 identity 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, in order 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 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 today since the prices and values of production are no longer a 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 5-1968)

+ 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 exchanges values of the goods produced since it represents exactly their total cost in labor; we admit, secondly, that this principle is 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 points form the basis of the concept of value in our view, which 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."

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lar reforms already attempted elsewhere with all those concerned.

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

One of the problems with the debate on the plane 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 5: "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, in fact, 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 beweav in each case.

In the Mandel/Nove debate (summarized below), Mandel explains 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 Nove/Mandel debate

Mandel

"...Of course, directly allocated labor can be accom- panied by monetary book-keeping — as it is in the bureaucratically 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 vehi- cle bodies in factory Y, and the engine parts in factory Z, the fact that this cost is transferred to the market, through the computer, is not the same as the addition of the costs of the individual factories."

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


But even words like "sale" or "purchase" may cover different operations. On the whole, Mandel sees increas- ibly 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 dynamics of the two systems 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 of which displays significant differences in the role of market mechanisms. They have existed, respectively, in the historical specificities of the systems of economic planning in the USSR and in other socialist countries.

a) Bureaucratized centrally planned economy (lecture 1)

These are the systems in which money plays a passive role. Prices are formed by the planners. One could say that they are "planned" rather than "monetary." In these systems, the end of the planners in price formation are not arbitrary. In fact, specialists have debated this point quite extensively. But in practice, the lack of transparency about the labor distribution of the labor force, since workers are free to change their job on the basis of the more or less attractive level of wages, among other factors. Likewise, in all socialist countries, the process of bureaucratization and the process of destalinization have affected the private market in a critical manner. This has an obvious effect on the degree of obstruction encountered by the reforms and the actuality of the reforms themselves. In general, one should distinguish the regimes brought to power by the socialist content? This is the thread that will guide us through the following lectures.}

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

This second model enables money and prices to play a more active role in the system of economic planning which is now summa- 

The first model corresponds to the planning system in effect in the USSR under Brezhnev. It has existed, with variations and historical specificities, in all postcapitallist societies, from Vietnam, through Eastern Europe, to Cuba. It was the basic reference in all so-called "decentralized reforms" that were attempted in the USSR, in particular in the 1960s. In some cases, as in Czechoslovakia after the Soviet invasion, it was restored after the reforms were reversed. It is in this model which the planning for the prices is currently based. Precisely in this model the firms decide on production after 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 aims to restore the full coherence of the operation of the law of value — its automatic respect for the principles of efficiency. In the market economy and the market — is precisely where certain re-formers find fault with the system. This model is also compatible with non-market-oriented reforms designed to improve efficiency. In the case of 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 firm, such as "suggestions." But it is not sufficient to interpret the relations between the rules and the type of political system which implements this model can also make a big difference in how it operates. The second model is compatible with an active role of market mechanisms in the process of decision making and is therefore a more "dynamic" economy. This is what we shall do in lecture 4.

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

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 analysis. We are not coming to the regulator of the economy. We will see in lecture 2 that this model actually involves the use of market mechanisms by the plan — not the pre- eminence of market prices. To understand why this model has actually existed in the Soviet economy means that in practice, the lack of transparency of the labor distribution of the labor force, since workers are free to change their job on the basis of the more or less attractive level of wages, among other factors. Likewise, in all socialist countries, the process of bureaucratization and the process of destalinization have affected the private market in a critical manner. This has an obvious effect on the degree of obstruction encountered by the reforms and the actuality of the reforms themselves. In general, one should distinguish the regimes brought to power by the socialist content? This is the thread that will guide us through the following lectures.}

To avoid getting lost in the maze of different situations and problems, one must first of all identify the common denominator of these discussions and evaluate them in light of the experiences 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 Nove [3-1983] has declared a war on the use of Marxist concepts in the study of "really existing socialism." He also blusters at those who identify as "socialists" all variants of socialism without a distinction between conflict or complex choices. While Nove is thus able to avoid dogmatism, his investigation rapidly becomes a description which, although often fascinating, provides no real criteria for forming a critical judgment — except a short-term one, namely that this or that reform "works" 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 inherently inferior, and each national bureaucracy, even the most loyal to Moscow, can interpret the rules in a way which suits its particular interests. Moreover, the process of bureaucratization and the process of destalinization have affected these systems. South-east Asia, for instance, could not be socialist without a market, "therefore" we oppose market reforms because they wither away all of these classes, privileges and relations of oppression and exploitation. We maintain 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 only be justified in a more or less balanced reform, that is to say, in a condition of "mecha- nism" compatible with any social relations.

Planning, markets and democracy

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 firm, such as "suggestions." But it is not sufficient to interpret the relations between the rules and
Social Relations Under Bureaucratically Centralized Planning

Outline

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

The basic problems of bureaucratic planning are well known. They have been described by the new Soviet leaders themselves, Mikhail Gorbatchev laid them out in his book Perestroika and the New Thinking (1987) and his adviser, A. Able Angabian, complemented by Perestroika, le dehle defi sovietique (1987). This lecture will focus on the case of the Soviet Union. But there are also similar structural problems 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 comparable, as indicated by the tables, with fragile recoveries as subjects and factories, cultivating more and more land, emulating more mines, opening more construction projects 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. The point is to focus 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 recognized skills, nor in terms of the general balance of the distribution of 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.

b) On the whole, the Soviet economy is not only inside the workplace but 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 generally, full employment does not necessarily mean best employment, neither in terms of having the tasks at hand performed by the recognized skills, nor in terms of the general balance of the distribution of 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 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.

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

Economic Performance of the USSR

<table>
<thead>
<tr>
<th>Economic Structures and social indicators</th>
<th>1950</th>
<th>1980</th>
</tr>
</thead>
<tbody>
<tr>
<td>People employed in manufacturing/construction, as % of the active population</td>
<td>27.0</td>
<td>38.0</td>
</tr>
<tr>
<td>Agriculture</td>
<td>48.0</td>
<td>20.0</td>
</tr>
<tr>
<td>Manufacturing's contribution to the formation of the national income in %</td>
<td>57.5</td>
<td>46.4</td>
</tr>
<tr>
<td>Construction's &quot;</td>
<td>6.1</td>
<td>9.7</td>
</tr>
<tr>
<td>Agriculture's &quot;</td>
<td>21.8</td>
<td>20.5</td>
</tr>
<tr>
<td>Production goods as % of total gross industrial production</td>
<td>68.8</td>
<td>74.9</td>
</tr>
<tr>
<td>Share of the national income allocated to investment</td>
<td>60.0</td>
<td>76.1</td>
</tr>
<tr>
<td>Per capita consumption of meat and meat products (kg)</td>
<td>26.0</td>
<td>35.8</td>
</tr>
<tr>
<td>Per capita consumption of bread and bread products (kg)</td>
<td>172.0</td>
<td>135.0</td>
</tr>
<tr>
<td>- potatoes (kg)</td>
<td>261.0</td>
<td>119.0</td>
</tr>
<tr>
<td>Number of units per 1000 inhabitants - refrigerators</td>
<td>10.0 (1)</td>
<td>270.0</td>
</tr>
<tr>
<td>- television sets</td>
<td>5.0 (1)</td>
<td>265.0</td>
</tr>
<tr>
<td>Medical doctors per 10 000 inhabitants</td>
<td>14.0</td>
<td>40.4</td>
</tr>
<tr>
<td>Secondary school students per 10 000 inhabitants</td>
<td>71.0</td>
<td>251.0</td>
</tr>
</tbody>
</table>

[Official Soviet source: Narodnoe Khozyaystvo SSR, n.s., statistical Yearbook of the USSR, various years.]

Note: We have provided estimates from 1939. We have not provided figures for the previous period because of the inaccessibility 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 net of the material goods produced and services rendered (including domestic service rendered by household services) as well as domestic services rendered. We are not including the "intermediate consumption," that is, the value of the products used during production (it is a sum of added value and services rendered). The following table gives the domestic consumption in the form of the national income (domestic services not included) in the so-called income sector.

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 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 “associate 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.”

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 targets are then compared with the outcomes (actual consumption) of 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 plan. This phenomenon has been described as characteristic of an “supply-dominated” economy. The formula describes a reality. We shall merely note that this analysis is often confused 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 plan. The plan sets the targets, and the bureaucrats have to decide on the means to achieve them. 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 power and the decision-making processes 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, can 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 plan frames the war without declaring it, in kind, on the bureaucrats who criticize “really existing socialism” in the name of Karl Marx’s writings which make no mention of bureaucratization. He stresses the functional need for some bureaucracy to run for some division of labor requiring the learning of specific skills by some and not others. (In other words, inventing Lenin’s famous dictum, any housewife could not run the economy).

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

When bureaucrats assume the tasks listed above (inventory of resources, determining needs, checking in 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 the 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 targets are then compared with the outcomes (actual consumption) of 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 plan. This phenomenon has been described as characteristic of an “supply-dominated” economy. The formula describes a reality. We shall merely note that this analysis is often confused 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.

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 deprived of its 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, on the one hand, and cost targets, on the other. For 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 “purchased” by the consumer. Their prices do not have harmonious 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 separate even though their supply was inadequate. This is the explanation for the long waiting lines in stores, M.R. economists call these lines “hidden inflation” (in contrast, in a market system, when producer does not meet demand, prices increase...). The only solution the Polish authorities have found to reduce the length of the lines, has been to sell goods still, without any guarantee that supplies would improve!

g) Employment and wages for work performed are determined through bilateral agreements between the “leftists” and the “rightists.” The links between the two are informal; the “leftists” (suppliers) — 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 so-called 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 hold 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 profitability margins — in a framework where profits and losses are down 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 quantitarian indexes are the decisive 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 or compelling bureaucratic constraint,” the economist Kornai has stressed: base units do not decide to produce this or that good or service, on the base of cost, nor is there any index which does the circulation of a product from one unit to another modify the income distributed. Incomes are not really affected by profits or losses.

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. The index written in an accounting currency that does not circulate, is attached.

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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, not by the mere fiscal deviation. Money then determines 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

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Planning, markets and democracy

Peter Martin

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

The material interests of the bureaucrats flow from the social (political) position which they occupy — and from their role as controllers of a piece of the system. Their interests are served by the tasks and 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, the bureaucratic planning system. For it is the social product for production’s sake).

To be promoted, a bureaucrat must at once overfulfill the pressure to lower echelon. Indeed, how is the lower echelon to overfulfill the plan (relating to a part of the plan (and earn additional personal position which they occupy

Bureaucratic planning 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 importance would be given to the central bodies and the units in charge of implementing the plan, the more “bureaucratic”, the greater the gaps between the information transmitted and reality, the harder to undo the psychological interest of holding a responsible position which they occupy.

The more a particular production can be standardized, the easier it can be checked with simple quantitaive indexes: steel production needs 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 what results imposing a particular crop on farmers, independently of the knowledge of the climate, climatic evolution, and so forth. The former would be able 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 mechanism, thereby decreasing the potential energy of the whole body.

Bureaucrats have no right to use surplus labor force. The distinction of private property, of capital and labor markets, can no longer 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.

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But this is only one part of reality. Juridical rights condition the relations between people in production. This is of course a very hazy concept — not only futility, the juridical and the reality — the former are often used to camouflage the latter. Nevertheless, they reflect the regime's concern for political legitimacy by backing back to its origins: the state is supposed to protect people's rights, otherwise it would be discredited as merely worthless pieces of paper. The elimination of capitalist private property and the domination of the market really created new foundations in which socio-economic mechanisms, the pillars of the old system, were able to find deep roots.

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 which 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 of labor exploitation. 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 "natural" 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 a given number of managers. For, in this dual perspective. They are right as two points: bureaucrats have usurped and become prisoners of a juridically "collective" property which they manage in the name of the workers, do not have the right to use surplus labor force. The distinction of private property, of capital and labor markets, can no longer 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.

b) But something else has happened: the domination of the market has been re-established 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 exchangeable for commodities, this money is not directly usable, properly speaking, characterizes 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 bureaucratic 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 unintentional estimation 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. The role workers have now become a more stable situation — let alone 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 expense of political and social crises. The workers, although denuding them not independent political and trade-union organization, do not perceive the bureaucracy as the legitimate owner of the means of production. Gorba-

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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. 

- 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 a stable reform. 

- The more workers need labor power that 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 wages and social benefits (such as services, the production of needed consumer goods in the workplace, etc.). In addition, this made it possible for workers to exert 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 typically 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 "bureaucracy's resultant". Workers could find formal methods of defending their interests, as perquisites of a promotion, that is, not inconsiderable wages. These have now become a right that will not be relinquished without a struggle, by seeing means of production wasted, suddenly turned into an argument "proving" the socialist

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4. Relations between bureaucrats and workers

What sort of relations exist between these two categories?

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 features 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.

In a past form of exploitation: the rule of the bureaucrats rests upon an act of political expatriation. The privileges are camouflage, not legitimated. They are limited by the fact that they are conferred as perquisites for ruling in the interests of the "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 is also necessary for 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 its conflicts but makes them more complex. The bureaucracy's lack of any independent and coherent economic base renders it more fragile: the more centralized its system, the closer to political death (that is, in this case, death pure and simple) will even the slightest independent workers' movements, bring it, hence this paradox. The workers have fewer democratic rights than the citizens/workers; and because the very mechanisms of planning integrate at every stage and level the bureaucrats' own particular social interests, the respect, the reforms can lead to more complex differentiations among the bureaucrats, depending in particular on the way the rules are affected by the specific skills or roles 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 immediate rivals. Their relations have sometimes been compared to those of the bourgeois state with multiple competing capitals. The differences 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 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-
I perform from the standpoint of society as a whole productive units at the expense of the others. To the wasteful practices. It does not always obey ward 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 the needs of the region or the survival of industries or firms showing a deficit.

However, full employment may not mean the right job for everyone. 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 sectors alive is a waste of resources. They argue that this is a way to keep the economy going.

Wherever market-oriented reforms have been introduced, the result has often been the opposite. In Eastern Europe and the USSR, many reformers consider this period as a crisis of productivity, efficiency, and profitability. This is why we cannot be satisfied with them as they are. The market and money relations, and this is in no way inherent to the capitalist system, but rather to the political and economic choices.

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 to the needs of competition in the world market and the exhaustion of the resources that had made internal expansion possible?
- How can the system gain in overall efficiency by reducing costs and waste?
- How can the production become better adapted to a more complex and diversified need? 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.

a) Is there peaceful coexistence or conflict between the goals of the planned 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," Agabagian tells us [5-1987, p. 139]. He even asks: "What does the radical transformation of the management system consist in?" He adds: "The latter has been demonstrated in theory and in practice. Of course, one should agree on what is meant by "socialist relations." This is manifestly the point which Soviet reformers are making in all their writings. Clearly, one cannot agree to be "transformed" on this issue after having accepted to characterize the USSR as "socialist" for decades.

Alekseyev concludes that "the market is lost, along with the underlying question, of the allocation of labor. Should labor cease to be allocated? Can it? Answering "yes" provides the concept of production as a market phenomenon, and that is "consumeristic."" A. Nove would probably reply that our approaches overlap Marx's "reading grid" to reality and its contradictions. He prefers to remain silent on that issue and enter the discussion of the problems 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 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 the same logic that sort of "socialist" market should be the regulator will always have the advantage of being the most consistent. The more economic inconsistencies and imbalances are cleared up, the more pressures will mount for an actual transition to "market socialism" (even after a wave of re-centralization).

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 indicated two 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 dirigistes) as typical of the first type, whereas they describe the second as a system of "market socialism" (see M. Lavigne, "La difficile adaption de la "poutricole" aux economies d'europe de l'Est," Le Monde Diplomatique, January 1988).

We prefer the following distinction, used by the Polish economist Bru (3-1968):

- The first type corresponds to the use of market mechanisms in a system in which the plan is dominant; whereas
- The second type corresponds to an economy in which the market mechanism is dominant (see p. 8: "Overall regulator or partial mecha

nism?).

On the juridical level, social ownership of the means of production is transferred to the market and money relations, and this is in no way inherent to the capitalist system, but rather to the political and economic choices.

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 the point 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 planned and decentralized market mechanisms?

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

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The Use of Market Mechanisms by the Plan

Outline

A. Overview
   a) the "economic" instruments
   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

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 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 accounts and role. They do not influence the orientation of investments taken independently of each other. However, it is true even when the credits are allocated on the basis of criteria reflecting the profitability of the projects submitted by firms.

1. The Czechoslovak example
   a) the general level
   b) political dynamic
   c) mounting pressures for more market
   2. No "Hungarian miracle"

C. Conflicts in variants with workers self-management

Yougoslavia from 1950 to 1965

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2. A. Overview:

   a) How prices can be used as instruments
   b) Characteristics of these reforms

   a) How prices can be used as instruments

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

   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 command.

   In the model considered here, a distinction is generally introduced between imperfectly allocated investments, and other investments, including 1) investments from the self-financing funds of firms, and 2) investments financed by credits from the center.

   The latter two categories must develop to incite firms to make economic calculations and stop behaving passively.

   If the role of the plan is obvious in the case of the centrally allocated investments, its exact weight must be ascertained on a case by case basis. It is highly likely that a firm receiving a credit for investment will have the same protection.

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Planning, markets and democracy
Catherine Sanvary

a) 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. Initial initiatives which tend to run counter to central choices could then be defeated or challenged.

The second area where taxation interferes in this model is in limiting the surplus remaining at the disposal of the plan, 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 goals of the planners (until the system for the development of light industry was in place). It is obvious that the industries in which self-financing could be sufficient to make a development of basic industry could no longer keep up with the goals of the planners (until the system for the development of light industry was in place).

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

This is confirmed by the case of Hungary where reforms, in their decentralized form, failed to create different situations of the firms in each branch of industry. In addition, they cannot fire workers freely and therefore cannot reduce costs in 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.

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

2. No "Hungarian miracle"
Although the Hungarian experience is often tested as an example of consistent reformism applied successfully, the real situation does not bear out this claim. 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.

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 Lobanov and Triperjukov) and the other Eastern European countries 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 dynamics of these reforms (which we shall discuss shortly) in the conditions of the Prague Spring caused 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 "Khruschevism") 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.

The tensions which arose as a result 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-
Planning, markets and democracy

Catherine Samary

regions, create a balanced economy and move towards the realization of long-term goals of social transformation. But, even in the best of planning which replaced collective administrative orders by “economic instruments,” these redistributive aspects were determined outside the new self-management system being instituted. Moreover, secondly, the second form of poverty and wages 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 crisis and a second wave of privatization of means of production occurred. This led to the extension of formalized recognition of rights in particular, strongly for the regime had legitimated all forms of criticism of bureaucracy and Stalinism after its break with Stalinism in 1955.

One option which existed was the extension of self-management. Self-management was constrained by the “statist” plan and substituted for its own form of “social justice.” It could have sought help of the plan, defined its own priorities and elaborated its own distributive criteria to promote equality. Local self-managed bodies would have had to seek help of the plan, defined its own priorities and elaborated its own distributive criteria to promote equality. Local self-managed bodies would have had to seek help of the plan, defined its own priorities and elaborated its own distributive criteria to promote equality.

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Planning, markets and democracy

A House of Self-Management (similar to the one proposed by Solidarnosc in Poland) with jurisdiction over the entire federation could have been created. The richer republics could have been democratized also in relation to the various republics of the federation — by allowing them to control the allocation of resources and the common long-term choices, on the basis of a legal system of economic advantage 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 taken on eminently political conditions: in other words, market mechanisms were able to develop more extensively insofar as the rule 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’s Western policy is so much inclined to give a political dimension, from the outset, to the reforms he is proposing: it is the preconditions to winning popular support.

The point can be reversed: the bureaucracy could 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 the central–local system reveals that 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.”

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Although left much greater room for freedom than

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

At this point, a new wave of reforms is beginning to implement the recommendations of the International Monetary Fund. Its logic is to increase the role of the market and move towards a really decentralized model. The Yugoslav situation is looming. Wide gaps have opened between the two modes of production, industrial and rural, which is getting richer, but not necessarily by developing the sectors corresponding to the essential needs of the people. The state remains cumbersome and full of red tape. To reform, combining features of bureaucracies and commodity relations.

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Lecture 3

“Market socialism”
the Yugoslav experience 1965-1971

I. Objectives and institutional means

1. Objectives

a) abolishing investment funds
b) lighter taxation of firms
c) cost accounting (estimating the costs of transactions)
d) reforming prices and foreign trade

2. Meanings

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

I. Objectives 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 national expansion of productive forces and an objective precondition required by the development of self-management and direct socialism democracy. This is the reason why it is impossible to energetically pursue the reformist orientation towards a full affirmation of the free 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 hydrosocial models of planning which would direct itself more and more towards accumulation. This is how the 9th Congress of the Yugoslav revolution and state (retrospectively de-

2. Means

The means of the reform were abolished and the resources trans-
duced to the banks. From then on, the federal central au-
torities (Yugoslavia is a federation of six republics and two autonomous provinces) could only establish funds earmarked for aid to the least developed regions. Accu-
mulation 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 pro-
cess 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 responsibil-
y 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) remapping the banking system

Until then, banks had been institutions which man-
gaged social funds under the direct control of the “social-
political communities” (the various levels of govern-
ment) and according to the directives of the plan. Repre-
sentatives of firms had certainly been able to participate in the bank’s management teams, but the reform, the chief criticism concerned the decency weight which they possessed.

In the name of fighting barriers between regions, banks acquired the right to operate over the entire coun-
try and were encouraged to trust.

- Banks could be founded either by individual firms, or in partnerships with the “social-political communi-
ties” (which had at least 25 members in them). An organ of the state could not, henceforth, found a savings bank in 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 in-
vested.

- The system was designed to guarantee a majority of votes for the firms. In practice, there was often an asso-
ciation between the directors of the firms, of the banks and of the local governments. 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 ex-
ecutive 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 maxi-
mum 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 supposed to firms in return for an interest rate with a theoretical ceiling of 8%, which constitu-
ted the bank’s income. This income was divided into three parts according to the decisions of the Meeting of the Insti-

tution: a) the bank could return it to the work collective of the bank employees to cover running costs (operations, re-


tary, legal and contractual obligations, personal

income). The employees could also increase their partic-
ipation 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 dividends in pro-
tection to their investment. These sorts of “dividends” de-
pending on the success of the bank’s activity, could, how-
ever, be distributed in the form of personal pensions.

Pressure mounted in favor of evidence to, in other quarters — the abolishment of regulations limiting the liberty to use these “dividends” and the pos-
sibility for these “dividends” to take the form (the con-
tent) 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 inter-
national levels, to establish a more or less “realistic” exchange rate for the dinar and to lower protectionist tariffs. The point was to lessen the state’s prerogatives to the advan-
tage of firms — the other side of the coin being the lat-
ter’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 uncon-
trolled 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 1200 dinars or 17.50 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 quar-
ter 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-quota was in circulation. Busi-
ness 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 an alternative source of profit other than foreign credits. 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 orientation 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 that they must be guaranteed — but no mechanism was applied. On a broader level, the joint venture was, once established, inalienable "social property" — property which left doubts as to what would happen in the case of an eventual bankruptcy and the protection of workers' wages.

But the rules established in minute detail at the outset were ridden with contradictions — the same that today.

Apart from these first types of problems, the Yugoslav authorities were anxious to see a number of macroeconomic and overall economic objectives achieved. But encouraging regions 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 products 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 abroad. These were the two major results.

The repatriation of profits and invested capital was also very complex and subordinated to the goal of conserving hard currency. Could anything be more "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 170.9 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 and massive emigration.

Parallel to this, the level of fixed assets per worker grew in every sector — going from around 50 000 dinars (1966 currency) to 90 000 dinars in 1971. 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 constructions, from 100 to 70. The number of workers from 100 to 85 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, de-centralization and the freeze of "bureaucratic functionality" known in hypercentralized systems and the unemployment of the market economies where the allocation of investments is decentralized...

With very sharp exaggeration, the number of those seeking work in 1971 was close to 300 000 (in a population of around 20 million) — a figure considerablyshima to the emergence of the "Yugoslav" economy.

However, the specific nature of Yugoslav unemployment should be emphasized: the prevalent social relation of workers in Yugoslavia is not the same as in countries with a "capitalistic" and more and more costly decisions. But, as in 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 sums of funds needed for the production of raw materials, the longer delay before the actual development, combined with the application of world prices to these products, were negative factors in the context of the institutional arrangements Yugoslavia did not suffer from 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 fixed or more protected — along with the downward wave of labor demand — led to shortages of labor power in these basic sectors.

The weaker productivity of the poor regions could only be compensated for by the dislocations caused by the 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 shoreline for instance faced the rise of an international cruise tourism that was exceptional in underdeveloped regions.

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.

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 inadquate 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 received 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 along with the developed regions were made the responsibility of the latter. Regional aid from the Federation itself was directed primarily to Macedonia, Monte negro, Bosnia-Hercegovina 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 21% of the average. It is true that these poor regions should have benefited from the "land reform, 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, as in 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.

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b) the lure of profit

Privilege, abuses and dilapidation of social funds existed before the reform — and in fact a well-known aspect of bureaucratic systems. The reform did not eliminate these, but it created an atmosphere that tended to perpetuate them. It stimulated the lure of profit and improved the situation. As in the USSR, on which the intelligentsia can be underestimated. Nor can the use of profit employed as a tool of social control.
The havoc wrought upon hearts and minds — a natural consequence of the needs aroused by the reform — is even less measurable. (Gorbatchev 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 responsibility of management increased — but to the advantage of the leadership, the workers found that they delegated their powers (provisionally) to experts.

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/limousine to be placed at his disposal by his firm (with all due deference to this make, people prefer to speak of a "Peugeot-crac"?) If the production unit is supposed to become a "collective entrepreneur" under socialism, should the "narrowly wage-oriented" distribution criteria according to market

Yugoslavia since the revolution: a few key dates

March 8, 1948: 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 pressure on the 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.

November 28, 1945: Following a referendum on local government, the government introduces.


1950: The law on workers self-management is adopted.

1951: Tito becomes the first general secretary of the Parti Communiste Yougaiov.

1952: The Kremlin denounces the "Titoite clique" and the Kominform then launches a vast purge of supporters within the party. The party supports the Yugoslav leadership.

1952-1971: 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 General Investment Fund is abolished (see lecture 2 on "market socialism").

1965-1971: This period, the market-oriented economic reform is implemented most fully.

1967: Student revolt, workers strikes, a very critical congress of the trade unions; Tito denounced the development of capitalist relations and condemned the Soviet intervention in Czechoslovakia.

1971: Rise of a Croatian nationalist movement

1971-1980: This is a period of partial reconcentration. 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 denounced negotiations. The self-managed economic system is introduced.

1973-1974: Repression is unleashed against the left-wing review, Pravda, 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 scandals and growing pressure from the International Monetary Fund.
credit was generalized as a new social relationship between the banks and self-managed firms without the anticipated productivity level being coordinated by a plan. Losses, duplication of effort and excess production 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 voracity of the market. In Yugoslav society, this is one hundred times more so. The rejection of market verdicts is produced profoundly legitimate by the ideology impregnating the system. This is not merely a matter of "propaganda": the absence of real socialization of the means of production allowed the state to lose control over the market and the fusion and take-over processes underway in this period enhanced the autonomy of the management teams. 

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 is in turn a manifestation 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 form, not in substance). Given therefore the interentrepreneurial functions and, in any case, reduce its real management powers. This is why any attempt to explain inflation is best left aside. 

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

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. Instead it provoked the conditions of accumulation including its mode of financing—were transformed: 

Eventually by price increases. The quantitative causality relationship—according to which inflation determines the general level of prices—is thus no more convincing in Yugoslavia than anywhere else, at least when the use of credit is spreading and the plan falling apart. 

V. Impact on self-management? 

At the Second Congress of self-managed workers held in Sarajevo, the year before, the gap 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 due to the bankruptcy of enterprises contracted earlier. The reproductive potential of the firms, composed of the business fund and the fund for depreciation, in absolute value—but shrink in substance and relative value. From 1964 to 1968, 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 where wages had to be paid out of the business fund and depreciation funds. In this regard, self-management had already lost some of its substance. 

In the period under review here, "compulsory interfirm credit" became a general trend, a characteristic feature affecting all those who, for example, enjoyed "the comfort of absolute and the necessary wages, the characteristic feature affecting all those who, for example, enjoyed financial irresponsibility..." (See also Brus 2-1975). 

In the mining and steel combine at Zenica, the principles that no worker would be made redundant due to excess labor or redundant workers who would be made redundant due to the modernization of the combine, and the reconstruction of production processes. 

The present and future place of the private sector and its relations with the socialist sector is the subject of much debate in Yugoslavia. Certain authors, such as R. Bicanic, consider the controversy which divided the sociologists at the time of the NTP of littles relevance to the present. 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 macroeconomic level and in the workplace. 

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

Dynamic of private sector 

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Catherine Samary 

Planning, markets and democracy 

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 Workers' Meeting, to which experts also presented a mountain of technical documents. Self-management was also smothered by real difficulties of institutional and socio-economic origin. Jovanka Limonov and several other Yugoslav sociologists have mentioned in particular "the sea of rules which imposes an enormous amount of red tape on a given society: this is one hundred times more so. Frequent jurisdictional changes, sometimes designed to protect self-management, but whose meaning was not understood by those most affected, did little to help. Cultural diffusions were also widely deployed to buy off the care of 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 enthroned workers rights. Although a large gap had developed between the law and reality, self-management did not merely a matter of "propaganda": the absence of real evidence for this negative balance sheet. 

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 macroeconomic level and in the workplace. (See also Brus 2-1975). 

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Dynamis of private sector
the notion of "social property — whether collective or individual," a form which existed provided that the pri-

tures of the peasant sector in Yugoslavia were found to be deficient (by increasing taxes on private means of pro-
duction). Nevertheless, restrictions remained in place: no more than 5 wage-earners in one's employ or 10 hectares of land at one's disposal. At the same time, the increase in the number of competitors in the same line of production was found to be beneficial, with the agri-

But the prevailing opinion remained suspicious and pragmatic. The private sector would be allowed to develop only if it could prove to be sufficiently competitive. The peasants towards a retreat into individual solutions. As a result, the peasants' position was deteriorating rapidly.

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 more 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:

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 work be applied systematically; that the criteria used to determine personal incomes be def-

2. To ensure that the development of genuine self-management is the ability of workers to make the decisions about working condi-

tions 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 linked with collective responsibility. This ex-

3. Measures must be implemented to rapidly insti-
tute self-management throughout our society and de-
stroy the bureaucratic forces which have hindered the de-
velopment of our community. We must systematically develop self-management, not only in the workplace, but at all levels, from com-
munal to federal, so that the producers can exercise real control over the organization of production. The key to the development of genuine self-management is the ability of workers to make the decisions about working condi-
tions 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 linked with collective responsibility. This ex-

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 shift in the balance of forces. This ex-

4. The right of workers to live on. Our workers either move abroad or become unemploy-
ed. 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."

For an overview see "The political crisis of 1968-1971," M. Lee, "La révolution des ouvriers yougoslaves," Quatrième Internatio-

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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 pre-

7. The commercialization of culture must be rendered im-

8. Notes to the subscribers and readers of "Notebooks for Study and Research" (continued)

For an overview see "Notebooks for Study and Research", No. 6 (1979) (We also see "Cooperative factories and artic-

izations by M. Lee and C. Verda in bibliography, part 6.)

Subscribe to the Notebooks for Study and Research
The current demand for transparency about the present and future of the USSR has led quite naturally to a call for a return to history. This is not a call for a return to the past, notably the atmosphere surrounding the rise of Stalin. Each current interpreter of the 1920s, notably the discontinuing of the NEP, is left 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 imposed by Stalin. In other words, simply stating that Preobrazhensky ultimately endorsed the industrialization "objectivism" is perhaps misleading, therefore, the caricature 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.

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Outline

I. Is the market socially neutral?

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

III. Updating the debate

Bukharin

Bukharin, like Preobrazhensky, was both a revolutionary and a Marxist theorist. 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 cooperatives should be treated as an instrument that allowed "equal" exchanges to take place between the state sector and private producers; the cooperation of the market framework would enhance cooperation and therefore move society forward towards a socialist transformation. In this framework, the slogan put forward by the Bukharists (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 exchanges, through cooperation." ("A New Revelation on the Soviet Economy or How to Sink the Worker-Peasant Bloc," first published in Bolshinik, Moscow, December 10, 1924. — Trans. from the French, Bookharin 1972, p. 189.)

In this article, Bukharin waxes ironic about Preobrazhensky's "unscientism," for although he later 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. This was, on the other hand, based on the notion that he did not believe the superiority of so-called socialist agriculture could be achieved through cooperatives. 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 both sets of rules cooperation among the peasants was treated as inevitably leading to socialism, this will no longer be the case under the proletariat, with its proletarian ideology, banks, credit and organized agriculture.

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 sectors. He had foresaw the rise of social conflicts so clearly that he wrote a small work of anticipation entitled From NEP to Socialism, its script in- volved 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 relation to 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 Soviet 1920s debate on the law of value 

Critique of Transformations

The first point

The second point

The third point

Outline

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Appendix: The Left Opposition and the peasantry

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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.

Outline

3. The goal of transformation

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

III. Updating the debate

a) Preobrazhensky's historical approach

b) the question of the socialist law of primitive accumulation

Appendixes: The Left Opposition and the peasantry

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I. Is the market "socially neutral"?

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

Did Preobrazhensky and Bukharin differ on this issue?

a) the contesting positions

Bukharin

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The first point

The second point

The third point
Bukharin was born in Moscow in 1888, into a modest family; his father led the Russian Social-Democratic Labor Party in 1906, siding with the Bolshevik faction. Bukharin joined the Bolshevik faction in 1906, and was elected to the Politburo in 1919. In 1920, he was appointed to a state position (1925-26), Bukharin allied with Stalin. As editor of Pravda and publisher of the review Mir, he escaped in 1911. Returning to Russia after the February revolution, he was expelled from the Bolshevik Central Committee of the Bolshevik Party in August 1917. He was in the leadership of the Meridian party, publishing the review Mir in New York in the winter 1916-17.

Returning to Russia after the February revolution, he was expelled from the Politburo in 1924, after Lenin's death, when he began advocating the steadfast pursuit of the NEP. That capacity, he attacked the opposition, and was executed March 15, 1938.

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 naïve to hope to build a stable alliance with the rich peasantry—increasing agricultural prices conflicted with the goals of the regime (improving the workers' standard of living) and the state itself was not yet ready to supply the farmers with the new capital needed to support the enlarged reproduction of industry. The solution (1925-26), Bukharin allied with Stalin. As editor of Pravda and publisher of the review Mir, he escaped in 1911. Returning to Russia after the February revolution, he was expelled from the Politburo in 1924, after Lenin's death, when he began advocating the steadfast pursuit of the NEP. That capacity, he attacked the opposition, and was executed March 15, 1938.

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 build-up of problems and tensions. His study re-establishes the historical truth in exposing the inaccuracy of Stalinists claims that the repression meted out at that time was directed exclusively against the Left Opposition or the so-called "Right" wing. 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 peasantry and the kulaks who had basically disappeared. He emphasizes the need to look beyond the formal legal and social changes that marked the NEP and to take a broader perspective. In this context, Stalin's policy appears as a blend of compassion, over a wall erected by his own methods. Lewin's book does not deal specifically with the criticisms of Stalin made by 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 the peasantry. (See extracts of Lewin's presentation of the issue in the appendix to this chapter, 45-51).

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 effects: short-run and contradictory — effects. They have generated in the recent past a new wave of opposition to the NEP. Stalinists charged of "capitalist roaders" directed at reforms of the NEP, while the social tensions and even antagonisms within the existing system, and the restoration of capitalism, there is a major gap, but also a new potential for the generation of new conflicts and issues.

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Trotsky was born in 1879, at Yatskoye, near Odes- sa. His father was a well-to-do farmer. Trotsky joined a revolutionary circle in 1896 and became a Marxist. De- ported to Siberia in 1898, he managed to escape and returned to Russia. In 1900, to work on _Jahre_. After the attempt to reorganize the Russian Social- Democratic Labor Party failed, at the Second Congress Trotsky joined a new group: the Bolsheviks. 

During the first years of 1905, he was elected chairperson of the Petrograd Soviet, then exiled to Si- beria. He escaped again and was active in the socialist opposition in Europe. During World War One, in Paris, then New York, he opposed the chauvinist pro-war pol- icy of the mainstream socialists. 

In 1917, he rejoined the Bolshevik Party, was elected to its Central Committee and to the Petrograd Soviet, the latter which 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 1921. His break with this policy culminated in the circulation of the Platform of Opposition, carefully following the evolution of the USSR. He continued to lead the Russian Left Opposi- tion launched an organized fight on a broad scale with a call for democracy in the party and the soviets and joined the opposition of "the 43".

He was closer to Zinoviev and Kamenev to organize a joint struggle against what they de- scribed as "the NEP". This United Opposi- tion 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 par- ty 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 par- ty and his exile to Alma-Ata in 1928. Unlike Proho- bratskikh, he considered Stalin's sudden forced collectivization and first five-year plan with its emphasis on heavy industry as not justified a suspension of op- positional efforts. He was therefore deported from the USSR. He continued to lead the Russian Left Opposi- tion 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 Interna- tional Commission headed by the British philosopher John Dewey. At the same time, he strove to build a new revolutionary International. He was ap- pointed 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
1927-1925 The Stalinist Dictatorship
1931-1933 History of the Russian Revolution
1933 The Theory of the State
1935 The Workers State
1938 Revolutionary Democracy
1938 The Revolution Betrayed
1939 Trotsky's Struggle
Again and Once More Again on the Nature of the USSR
1940 Letter to the Workers of the USSR

Catherine Samary

Soviet economic policy and development in the 1920s

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

We already discussed the law of value in the introduc- tion to these lectures, which is concerned with the priva- tization of the means of production. On this question too, which has changed many times, is now implemented with the pri- vate sector. The "economic laws" of the post-capitalist transition period

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

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Gorbachev: ’It was in those 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 evil, even contradictory, with socialism. This, fully 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.’ (Milhaud, Gorbachev, Perestroika and the New Thinking).

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 was his argument? How do they stand up now, in the light of experience?

I. 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 mechanisms from the economic structure in which it arises... the law of value precisely reproduces the relations of commodity production and makes them a component of the plan thanks to the development of these relations.’

(Preobrazhensky, ’Perishe,’ The New Economics (Trans. from the Russian) 1924, p.75)

But once you accept that the socialist plan must restrict itself to consciously applying the laws 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 to want 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 private capitalist 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.

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. In other words, a socialist economy would be viable only if it were integrated in the world market. This was the doctrine of ’acculturation’ which Gorbachev would point out, in a new 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 without which any socialist economy would be a regression on the latter’s resources domestic and in foreign trade.
- The market would no longer be dominant but would remain necessary on both the domestic and international planes.
- 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, after the example of Lenin, sought to define the reticular problem of the transitional period economy in the reality 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 ’dual burden’ in which the capitalist 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 same time, a market that is regulated not politically 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... . 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 economy would have to make do with the distinctive advantages organic to socialism.... At the same time, ’it forges some [of the advantages] characteristic of a capitalist economy.’ The socialist economy will have here to reserve for the operation of the market, particularly the threat of unemployment as a capitalist mechanism to increase productivity... . The capitalist economy, ’on the other hand, remains in full 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.146)
Prochorov's emphasis on the relationship between the two laws in the context of spheres of the economy as summarized by Brus

"Prochorov distinguishes, among others: 1. the sphere of circulation between state firms, which, according to him, involves only the forms of commodity exchange in which the law of value enters only with respect to the work force, and this, all the more strongly that workers have to purchase more consumption goods from state producers and consumers. 2. The sphere of circulation in which the state appears as a monopolistic seller: this applies mainly to manufactured goods sold to peasants. This sphere is regulated by the state, while the peasant must take into account the structure of demand, which evolves to a large extent as a function of the given price forms. This is therefore a field for "struggle" between the new laws governing economic processes and the law of value which still exerts the same 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 artisan origin. In this area, 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 Prochorov, by the fact that pricing policy must be based on 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 there than value)."

Brus 3-1968, p. 70

Social Classes,

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

In addition to the traditional categories (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, and its criteria and processes, it ties its criteria behind the jumble of the generalized market. This is what is analyzed in Capital; not some pseudo "universal economic law."

The term surplus labor was appropriated in transparent fashion (to use Gorbachev's term) 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 surplus labor, by contrast, is appropriated in the form of a mortgage, which meets 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 analyses the "law of value," what he is highlighting is not merely that, beneath the screen of profit, 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 by 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 slacks as a result of concentration of capital or state protection, the law of value loses some of its strength. Conversion from one to the other, as we have seen, is the result of some other law of accumulation? This is the hypothesis which Prochorov's history is addressed to, while emphasizing that he was not yet able to define fully its content: the problems it raises and scientific investigation would make it possible to determine them more precisely, historically. He neverthelessly gave a name to this new law to be discovered: the "socialist law of primitive accumulation" ("primitivism" being used to give the expression "primitive, i.e. 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 society.

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

III. Updating the debate

a) Prochorov's historical approach

Prochorov's historical approach remains fundamentally useful on the theoretical and experimental plane. What is a cost in the capitalist market system costs and "ineffective." The same problem arises in reducing needs. The capitalist market system 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.

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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 mechanism, 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 multiformal defence which, though it may not insulate a country from the currents of the dominant economies, will enable it to survive in its own 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 "health control," that it was 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 function as a "regulator." It "needs" both a labor and a capital market to find a social relation and 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 "self-management" market reforms leads to the elimination of self-management.

But the acknowledgment 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 be able 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 "socialist law of primitive accumulation" should be discarded. 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 class struggle. There 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 naturally of one who can "substitute" or combine "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."

"Which dictates to the state": This is the vantage point from which Preobrazhensky's approach. We can then speak of the existence of a conflict between two regulators and social relations...

... Which dictates to the state:... This seems to imply that a single set of specific proportions — differing from the mechanisms of social accumulation..." (Ldem, p. 107).

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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 cannot have been a simple case of a misleading "official opinion," for such an unwise statement could not have been made if Stalin had foreseen what he would shortly be bemoaning as the "grain dilemma." 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 revert 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 appearance of antipotentiel 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 party was engaged in a tremendous struggle against the kulaks, which 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 predominant industrialization.


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: the speed at which this "left-turn" of Stalin's was to be brought about. Stalin had already stated, the right also accepted the need for pastoral agriculture, 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 "fauzy 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 Stalin industrialization, either during the first five-year plan or in recent years.

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 peasants (smymka) 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. But the care 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 where the state has the upper hand) are not, however, without some merit. In any case, their ideas have gone down to us in part and some 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 where the state has the upper hand) are not, however, without some merit. In any case, their ideas have gone down to us in part and some of their ideas have gone down to us in part.
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 "law of postcapitalist development" the very same economic base, but he is far from universally accepted: "The mechanism depends upon the economic structure in which it exists." (Preobrazhensky, 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 withdraw. (1)

Instead, the opposite happened: the state developed, became omnipotent and teetotaler. The construction of a single market (a largely underdeveloped one 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 matters 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 proletarian which made the recipes formerly used to get over crises — wage restriction and real employment — 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 rally was a "socialization" of capitalism, which Keynes had explicitly advocated as the only solution against 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 fashionability of apologies of the market after the long post-war boom, which was largely based on limiting the role of the market. 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 contraptions.

The socialization of risks in the West

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

Capitalk has experienced, in its own way, a growing tendency towards the socialization of risks, towards the ext one planning of production (of wages and profits) the credit currency has freed itself from its mar- ket 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 unceasingly as we live in today, credit which anticipate the realization of an already com- pleted production, become "doublet credit" and speculation replaces productive investment and increases the risk of financial collapses). In a first stage, class contradic- tions 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 escalation of production resistance to Taytay, conflicts over the sharing of added value and the workers' escalating demands in a period of growth and full em- ployment. The logic of profit ("of supply," as its bash- ful theoreticians prefer to call it) was bound to reassert its prerogatives at some point. The law of value, the law of the market, compressed and violated in a less and less competitive market, has now reasserted itself with a ven- geance 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, and the social- ization of capitalism collides head-on with its proper- ty 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, whose social and economic costs of this pseudo-socialism are, of course, clear to all. Moreover, the dead-end to which it has ar- rived highlights the troubles of class coherence of the bureau- cracy. Whenever the latter resents to market mecha- nisms — which it idealizes — is it saddled with the well-known problems of capitalist countries, with different property relations: paradoxically, although de- nied 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 case of the bureaucracy which 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 in- teresting 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 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 distri- bution does not allow... coherent differentiations of incomes, according to 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 invenations should be allocated on the basis of the market and firms oriented on the basis of a search for the highest profit.

Catherine Samary
Planning, markets and democracy

The preconditions 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 be- gin a theoretical and practical discussion, based on exper- ience, to determine which problems can be solved more effectively as a whole. In the meantime, what advantages and disadvantages market mechanisms might bring in a given context and which problems they might be able to solve.

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 orient- ed to maximize income, it will necessarily conflict with the desire for 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 cen- tral 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 ear- lier.

- 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 reversing 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 their own decisions (within the limits of the sys- tem). The workers' interest in making these choices and ab- biding by them would stem from the possibility of res- olving 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 pos- sibility of broadening their horizons as producers/ manangers. 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 democrat- ization of choices of course than by market procedures must be decid — as Ota Sik does — from the macro-economic imbalance. 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.

(1) On alienation in the so-called socialist countries, see Ham~ Preobrazhensky; on the limits of the flexible price mechanism, see (2-1979, chapters 4 and 13). Lenin [2-1974] and the contributions of the Yugoslav philosophers Pe- ter Godelier, Vretvski, Tad'ko, Perić-Golobic, Chalifeur; and Mar- ković in the review Prazna published in Belgrade in the 1970s, listed in part 2 of our bibliography.

(2) See Dupont et al. [4-1967].
The role which Ota Sik and other theoreticians of market reforms attribute to the market flows from an idealization of the market as a static and "bourgeois" 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. But this requires a "trade-off" that maximizes the social productive aspects and "minimizes" or determines the income to the lowest possible for the greatest possible income. Likewise, if workers exert their energy and imagination in vain because the system does not generate such efforts, it will cost them each person "trite" efforts that eventually, on a privileged layer, then the workers might as well stay put and fix up their own home.

Workers self-management of the accumulation fund — "decentralization" — can operate 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 monocapitalist structure of incomes" in Yugoslavia. But it should be clear that, underlying this feature, there is a strong intrinsic 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 — trends which make monetary incentives counterproductive and a source of inflation. No one will challenge the necessity for material incentives in all economies, it is their place and nature which is a matter of 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-monopoly material incentives — along with the development of a taste for democratic freedoms for the known sake.

These wellspring 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? Rebuilding the worker with his or her labor, encouraging the free public expression of needs and promoting a debate on the relations of distribution, are quite apart from giving partial solutions to the problems. Democratic management of distribution networks could link raises in monetary incentives to increases in the general productivity of the system; this would incite workers to disseminate all advances achieved in their particular location, stimulating those who are the "lowest performers" to "go with the 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 as an incentive for or worse yet, by stages once again the question of what is the best time/space set in which the consumer can judge these advances and improvements. Should they measure the amount of output, the 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 distribution, re-established 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 (both by the basic economic cell, its profitability, individual market incentives as a lever, etc) risks leading to an impasse... To build communism, it is necessary, simultaneous with the new material means of production, to build new social habits. "That is why it is important to choose the right instrument for mobilizing the masses. Basically, this instrument must be moral, without neglecting, a correct use of the material incentive, particularly of a social character."

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

"The commodity as the basic economic unit: 1) the "bourgeois" and "socially necessary labor""

Under capitalism, the commodity analyzed by Marx serves as the unit of accumulation, the "economic cell" and the "socially necessary 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 judgment 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 subsidist. But their functions can change and eventually wither away to the extent that other mechanisms — other social relations — are able to assume those functions.
functions better. Conversely, when the former fail to materialize, the latter will reemerge. Even when they are not the costs of goods remain the products of collective labor (specific, not measurable) and abstract labor (comparable to other labors). The latter must be saved while the first is transformed (by reducing unplanned skills and motivations). 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 bureaucratic relations (9).

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 or incomes. The reason why every incorrect price does not prevent the system from functioning — albeit poorly, since expenditures should be measured in proportion to needs.

The commodity et formes de propriété (1970), Bettelheim rightly noted that transitional society had not yet developed "concepts adequate for the measurement of value, which is not 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, might we ask, to an analysis of bureaucratic relations? (9)

The particular combination of private labor and social labor can be transformed. In competitive capitalism, a laborer is primarily the product of private labor. His wage is manufactured in the context of free enterprise, by private decisions taken independently of each other. Responsibility for this production is private — it is the producer who is responsible for the product of his labor. The risk, if the private labor expended is not recognized by the capitalist market as "socially necessary" — in other words, if its demand is not met by a "profitful" — 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)

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. As long as it existed, "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 social labor which is not rewarded will be wasted. Planning, even bureaucratic, social relations, social control must extend its sway over these three fields: but the techniques for recording costs and investing needs must be subordinated to overall social choices.

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mechanisms which have used differences to reproduce 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 protest” should have the decisive say over the organization of their work. Another clear imperative to counter exclusive and therefore oppressive decisions, is that various communal (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, countering appeals on the people as a whole to work out their problems “all together” rather than to deal with issues of 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 have been focused 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, exports, groupings

The idea that the main economic choices should be the purview of the Party (or of several parties) is as much a view that preserves these questions exclusively for “exporters.” But it would be equally false to oppose to these two imposes the naive vision of a direct democracy which could do without political debate or experts.

The mistrust of economists who raise certain partial theories and methods to the rank of universal — and therefore indispensable — rationality is mirrored by the suspicion 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 opinions, 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 community can give an overall view of the problems and stimulate self-activity. The possibility of resorting to the judgment 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 “stability” and “correctness” — 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-Cristophe Kolm (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 free. It will be free by consciously mastering the contradictions 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 composed of events, but not testable. 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).

1. The Soviet 1920s debate


Draft Program of the Communist International (Vik Congress) (1928).


Lentin, V. I. "The Impending Catastrophe and How to Combat It" (March-April 1917). Collected Works, Vol. 27, Moscow: Progress.


"Left-Wing" Communist—An Infantile Disorder

Outline

A. A few introductory books

1. On the Soviet 1920s debate:


3. On planning problems:

4. On the history of Yugoslavia:


We have included in this list the works cited in this text, where possible in the English edition, otherwise in the French or other editions. Page references of quotes in the text translated from the French are those of French editions, the complete list of which is available in Cahiers d’Etude et de Recherche no. 7/8. In addition, we have tried to provide some context by listing a few classical, sampling of different viewpoints on the issues discussed and a selection of important recent studies.

1. The Soviet 1920s debate


"On the nature of the USSR and kindred states, alienation and socialist democracy


"Stalin’s Last Congress" (December 1922).


"Les limites de la recherche de l’efficience dans la politique économ


Parsons, E. "Socialism or war or the social crisis?" Critiques of l'Economie Politique, 7-8, 1972.
