

Charles Bettelheim

The Transition to Socialist Economy

[Part 1 -- Preface, Forward, Chs.1 and 2]

**Translated from the French by
Brian Pearce**

The Harvester Press Limited
© 1975

First published in France as
La transition vers l'économie socialiste
by François Maspero, 1968

*Prepared © for the Internet by David J. Romagnolo,
djr@marx2mao.org (August 2002)*

Contents

[- Part 1 -]

<i>Preface</i> to the English Edition	9
<i>Forward</i>	11
Chapter One The problematic of the economy of transition	13
I Present state of theory.	14
II Proposals on terminology.	19
III A fundamental feature of the transition period.	24
Chapter Two The socio-economic framework and the	

organisation of social planning	31
<u>I</u> A general survey of the mode of organisation of present-day planned economies.	31
<u>II</u> Some passages from Marx and Engels.	32
<u>III</u> The nature of the problems to be studied.	33
<u>IV</u> The diversity of forms of property in the means of production.	34
<u>V</u> The commodity categories within the state sector.	37
<u>1</u> The commodity character of part of the production of the state sector.	37
<u>2</u> The requirements of calculation.	38
<u>3</u> The conditions for the disappearance of commodity categories, according to Stalin's <i>Economic Problems</i> . . .	39
<u>4</u> Discussion of the preceding theses.	40
<u>VI</u> Statisation, socialisation and taking over of the means of production by society.	42
<u>1</u> The social implications of state ownership.	43
<u>2</u> Statisation, socialisation, domination of the productive forces by society.	44
<u>3</u> Adaptation of property forms to the level of development and the character of the productive forces.	47
<u>(a)</u> The more or less social nature of the productive forces.	48
<u>(b)</u> The degree of socialisation of the productive forces and the levels and forms of ownership of the means of production.	50
<u>4</u> The production-relations within the state sector of the socialist economy.	55
<u>(a)</u> Planned obligations to buy and sell.	56
page 6	
<u>(b)</u> Centralised economic management of certain branches of production.	60
<u>(c)</u> Vertical integration of economic activities.	65
<u>5</u> Economic subject and juridical subject.	71
<u>(a)</u> Determining the economic subjects.	72
<u>(1)</u> Internal structuring of economic subjects and working groups.	76
<u>(2)</u> Economic hierarchy and administrative or political subordination.	82
<u>(3)</u> Economic subjects, planning authorities and administrative orders.	83
<u>(b)</u> Contractual relations.	86
<u>(1)</u> Contracts for buying and selling.	86
<u>(2)</u> Labour contracts.	87
<u>(3)</u> Credit contracts.	87
<u>(4)</u> Co-operation contracts.	88
<u>(c)</u> The nature of the decisions to be taken by the different economic subjects and social authorities.	88
<u>(d)</u> The different types of hierarchy.	88
<u>6</u> Some problems of planning connected with the existence of economic subjects	94
<u>(a)</u> The role played by economic subjects in the drawing up of plans.	94
<u>(1)</u> Procedures for consultation and participation.	95
<u>(2)</u> Some factors influencing the content of the draft plan prepared by an enterprise.	97
<u>(b)</u> Some contradictions or weaknesses in the present practice of business accounting and planning at enterprise level.	98
<u>(c)</u> The degree of exactness and the more or less obligatory character of enterprise plans.	101
<u>(1)</u> Investments without security.	101
<u>(2)</u> The annual character of the plans.	103
<u>(3)</u> The quantitative indices.	103
<u>(d)</u> Methods used by the planning organs to lay down production targets.	104
<u>(e)</u> Methods of carrying out the plans.	105
<u>Conclusion</u>	107

page 8 [blank]

page 9

Preface to the English Edition

I have already mentioned, in the preface to the French edition of this book, that the reader will find in it formulations which reflect stages in the evolution of my ideas about the problems dealt with in the following pages. I referred at the same time to my intention to carry through a critical analysis of some of the concepts employed here.

The reader of this English version of my book should be informed that during the last few years I have tried to fulfil this plan, but that the results have not taken the form I originally intended to give them.

In fact I sought, on the one hand, to define more precisely the nature of economic calculation, so as to bring out more clearly the point that what is usually meant by this term is in reality only a monetary calculation, of limited significance; and, on the other, to elucidate the nature of the social relations which make possible a monetary calculation of this sort.^[1] At the same time, in a discussion with Paul Sweezy, I gave greater precision to my thinking about the problems of the transition to socialism and about the existence of a struggle between a socialist tendency and a capitalist tendency within the social formations in transition.^[2]

Subsequently, I have undertaken a fresh critical evaluation of the economic, social and political changes that the U.S.S.R. has experienced since the revolution of 1917,^[3] with a view to defining the limitations of these changes and the nature of the modifications undergone by the changes themselves in the course of time, as a result of class struggles. Thereby I have sought to identify more exactly the social foundations of present-day Soviet policy and its increasing subordination to the interests of a privileged minority which has *de facto* control of the means of production. Furthermore, the experience of the Chinese Revolution, and especially the lessons of the Cultural Revolution has led me to give greater emphasis to changes in the superstructure of society as a condition for progress towards socialism, and to stress that only a certain type of development of the productive forces can ensure genuinely socialist planning.^[4] These different concrete analyses have consequently caused me to define more precisely and correct a number of my theoretical concepts. In view of all this, the following pages need to be read today not without taking account of the critical developments that I have mentioned.

CHARLES BETTELHEIM
Paris, February, 1974.

page 10

NOTES TO PREFACE

- 1 Cf. Charles Bettelheim, *Calcul économique et formes de propriété*, Paris, Maspero, 1970. To be published in U.K. by Routledge and Kegan Paul and in the U.S.A. by Monthly Review Press. [Transcriber's Note: See [Economic Calculation and Forms of Property](#). -- DJR]
- 2 Cf. Paul Sweezy and Charles Bettelheim, *On the Transition to Socialism*, New York, Monthly Review Press, 1971 (122 pp.).
- 3 This investigation has resulted in the publication of a work entitled *Les Lutttes de Classes en URSS*. The first volume, covering the period 1917-23, was published jointly, in 1974, by Maspero and Editions du Seuil. [Transcriber's Note: See [Class Struggles in the USSR, First Period: 1917-1923](#) and then [Class Struggles in the USSR, Second Period: 1923-1930](#). -- DJR]
- 4 Cf. Charles Bettelheim, *Révolution culturelle et organisation industrielle en Chine*, Paris, Maspero, 1973.

TRANSLATOR'S NOTE

Since this book was translated and set in type ready for press, some books which are referred to in the original French editions have appeared in English. These are:

- Charles Bettelheim, [Cultural Revolution and Industrial Organisation in China](#), London, 1974.
 L. Althusser, E. Balibar, R. Estabiet, *Reading 'Capital'*, London, 1970.
 N. I. Bukharin, *The Economy of the Transition Period*, New York, 1971.
 K. Marx, *Contribution to the Critique of Political Economy*, London, 1971.
 L. Althusser, [For Marx](#), London, 1970.
 K. Marx, *Grundrisse*, London, 1973.

Foreword

This work is devoted to a group of theoretical and practical questions the importance of which increases from year to year but studies of which are nevertheless extremely rare. What is published here is, in essentials, a synthesis of lectures given at the École Pratique des Hautes Études (Sorbonne), a number of articles, and thoughts formulated in the course of the seminar for which I am responsible at the École Normale Supérieure.

The problems examined are among those which are at the heart of the most topical concerns of the day in economic, social and political matters. The theoretical analyses to which these problems can give rise must therefore necessarily be enriched and diversified as a result of the *real developments* on the basis of which these analyses can be worked out. This explains the *evolution* in certain formulations which the reader will be able to observe in these papers, the writing of which has been spread over a period of about four years.

What gives unity to the chapters that follow is that they form the beginning of a fresh critical consideration of the problems which are currently spoken of as those of "the transition to socialism". It will be seen that this expression is far from adequate as a description of the reality it is supposed to describe. It suggests a "forward march" at the end of which there is in some sense guaranteed to be socialism. However, what in fact is so described is an historical period that can more properly be called that of "transition between capitalism and socialism". Such a period does not lead in single-line fashion to socialism; it may lead to that, but it may also lead to renewed forms of capitalism, in particular to state capitalism.

That this possibility is a real one emerges with increasing clarity in the course of the following chapters, though it is not explicitly formulated until Chapter 6 (see especially page 223), so that the terminology I have used still reflects only to a limited extent the conclusion that I eventually reach.

The comment I have just made has a general bearing. It relates also to other expressions which suggest a certain "single-line development of history". To admit this is, of course, as I have already said, to become drawn into a fresh critical consideration (which is barely outlined in these pages) that must focus upon a number of notions in current use such as "socialist economy", "socialist planning", "socialist property", and so on. Some results of such an analysis will be presented in another work, now being

page 12

prepared, dealing with "the structures of transitional economies" (this title is probably not definitive).^[1]

It is worth stressing at the outset that the critical analyses demanded by the realities described below, and the concepts by means of which I have endeavoured to grasp these realities, cannot be restricted merely to the economic plane of the various social formations, but must also deal with the political and ideological planes and with the relations between these two and between them both and the economy. A way of proceeding such as this must, moreover, lead to critical analysis of certain generalisations that have been made at certain moments, on the basis of some aspect or other of Soviet economic reality or Soviet economic policy; for instance, some generalisations of the arguments put forward by Lenin in favour of the New Economic Policy.

What will be found here is thus merely the beginning of such an approach. Except in Chapter 6, the reader will find here no analyses dealing with economic calculation, and more especially with economic calculation on the scale of society. These analyses will not be made public until after critical consideration of the structures of economies in transition between capitalism and socialism. Nor will any analyses dealing with the People's Republic of China be found here; such an analysis has already been offered in another work -- a book containing contributions by other economists who also take part in the work of the *Centre d'Études de Planification Socialiste* (Centre for Study of Socialist Planning) and which appeared in the *Economie et Socialisme* series.^[2]

These papers thus constitute only a first collection of thoughts aroused by the progress and difficulties of planning, and the political and ideological developments experienced by the socialist countries. These thoughts are put forward for discussion, which is indispensable if research and analysis are to be usefully carried on, so that, by an examination of the current phases of development, theoretical lessons and practical results may be drawn from them.

CHARLES BETTELHEIM
(August 1967)

NOTES TO FOREWORD

¹ Now published as *Les Luites de Classes en URSS*, Vol. I, 1917-23, Paris, Senil/Maspero, 1974.

² Ch. Bettelheim, J. Charrière, H. Marchisio, *La Construction du socialisme en Chine* (Building Socialism in China), series *Economie et Socialisme*, Paris, Maspero, 1965. Reissued in the *Petite Collection Maspero*, March 1968.

page 13

I: The problematic of the economy of transition

The basic purpose of this chapter is to study the economies of transition, and thereby the problems posed by their structure and evolution.

My aim is to arrive, if possible, at the scientific establishment of a certain number of concepts essential to knowledge of the economies of transition and of the laws of development to which they are subject. It is clearly impossible to say whether this aim can be realised, since, for the moment, we possess, in this field, mainly descriptions and "practical concepts". By "practical concepts" I mean, like Louis Althusser, concepts which still derive, in the way they are formulated, from a previous way of seeing the problems, a way that it is our very task to replace, because it is still uncertain of itself, being uncertain what its scientific object actually consists of.

Such practical concepts point out to us where the problems are that we have to solve, within the old ways of seeing the problems and on the plane of theoretical practice. If we do not take care, these practical concepts can seem to be solutions of problems which in fact they merely describe.

The objects described by the term "economy of transition" are obviously among those a scientific awareness of which is essential to the understanding of our epoch, since this appears to us precisely as an *age of transition*.

Empirically, this transition, or rather these transitions, appear to us in two forms.

One is a form of radical transition: transition from the capitalist mode of production to the socialist mode of production, that is, a country's passage from one period of the history of mankind to another, through an upheaval in production-relations and class relations and the replacement of one state machine by another with a different class nature. There is another, more limited, form of transition, with a much more uncertain content, namely, that of the economies and societies that were formerly under colonial domination and have now entered a post-colonial period. This second type of transition itself throws up the problems described by those other practical concepts, the terms "neo-imperialism", "neo-colonialism" and "specific form of socialism". The last-mentioned expression is commonly used both for certain social realities and for the ideological concepts that describe them, such as, for instance, "Islamic socialism" or "Buddhist" socialism", etc. Where this form of transition is concerned it is essential to undertake an analysis

page 14

which is not confined to the ideological sphere but which reveals the nature of the transformations that are actually taking place in class relations and production-relations. This also brings up the question of the class nature of the state.

I Present state of theory

Our joint task will be, first, to set to work the practical concepts we possess in order to question with their aid a certain number of the realities of today, with the aim of getting to know these realities better and thereby transforming these concepts of ours into scientific concepts. By this I mean concepts which connect together into a theory which enables us to grasp the interconnexions of the social realities on which our researches are focused. Our first duty is thus to ascertain what the theoretical situation is that we are at present in, as regards the problems I have just referred to.

In order to do this we must examine the state of the Marxist problematic. In my view, it is thanks to Marx's theory that the transition can be the object of a scientific analysis. It is by applying the conceptual tools and scientific methods that Marx worked out that the problems of transition can be formulated and can be solved correctly.

At this point I must, of course, reply directly to the objection that says that Marx did not merely formulate the problems of transition and provide the conceptual tools by means of which the transition can be thought about, but that he also solved theoretically all this group of problems and thus has already supplied us with the scientific theory of the transition.

The best way of determining the scientific state of our problems will be to try to answer this objection.

In doing this, I shall start from a text which relates directly to our problems, namely, Louis

Althusser's *Sur la "moyenne idéale" et les formes de transition* (On the "ideal average" and the forms of transition).^[1] Here Althusser formulates some propositions which are of the greatest importance for our subject. I will set them out in the order that seems to me to be significant from the point of view of the problem with which we are concerned, an order which is a little different from that in which Althusser presents them:

First proposition

Althusser recalls that, in *Capital*, Marx sets himself the task of studying the "concept of the specific difference of the capitalist mode of production" and that he is able to do this only "on condition that he studies at the same time *the other modes of production*, as types of specific unity of *Verbindung* (i.e. of combination, C.B.) between the factors of production, and also the *relations between the different modes of production* in the process of constituting modes of production."^[2]

Second proposition

Althusser further stresses that Marx's passages on primitive accumulation of capital form at least the materials, if not already the outline, of the theory of the process whereby the capitalist mode of production is consti-

page 15

tuted, that is to say, of the forms of transition from the feudal mode of production to the capitalist mode of production. This proposition evidently means, among other things, that these passages in Marx (together with those dealing with pre-capitalist modes of production) give us *the outline of a theory (of transition)*, but not yet -- since this was not the main purpose of Marx's scientific work -- the theory itself.

This situation of the theory is illuminated by Etienne Balibar's contribution to the same volume.^[3]

Third proposition

This third proposition is closely linked with the first two.

Marx's theoretical object is the capitalist mode of production in its *Kerngestalt* (i.e., in its "nuclear structure" or "inner structure", C.B.) and the determinations of this *Kerngestalt*. This means that what Marx is studying is not, for example, capitalist England, which he often takes as an *illustration*, but an *ideal object*, defined in terms of cognition, in the abstraction of a concept. This is what Marx is saying when he writes that the "specific character" of the capitalist system "is revealed in all its inner essence".^[4]

It is this specific difference that is Marx's theoretical object. This is why the capitalist mode of production he studies is a mode of production with two classes, differing from what we see in the English "illustration", or any other such "illustration" we might find, in which there are actually a much larger number of classes. The specific difference studied by Marx is thus not an empirical average but the concept of the capitalist mode of production, which constitutes that which is essential to it.

Fourth proposition

There is thus a "gap" between the capitalist mode of production in the reality of its concept and the actual economic system of British capitalism, for example. This "gap" constitutes what

Althusser calls a "real residue",^[5] an "impurity"^[6] or, as he also says, what one may "provisionally call a survival" in the midst of the capitalist mode of production which is dominant in Great Britain.^[6]

Fifth proposition

This fifth proposition is very directly concerned with our subject of study.

"This alleged 'impurity' is an object belonging to the sphere of the theory of modes of production: in particular, the theory of the transition from one mode of production to another, which merges with the theory of the process whereby a certain mode of production is formed. . ."^[6]

I should now like to offer some observations concerning the content of the fourth and fifth of these propositions:

(1) While it seems to me correct to say that the alleged "impurities", "survivals", etc., form an object belonging to the sphere of the theory of modes of production, I do not think that they can be *the specific object* of the theory of the transition from one mode of production to another. In fact, these "impurities" are always present in reality. They therefore cannot be considered as *the peculiarity of a stage of transition*, or otherwise we should have to say that the real economic world is always made up of economies in

page 16

transition, and consequently the concept of "economy of transition" would be deprived of any specific meaning.

If we wish to give the term "economy of transition" a specific meaning -- and this seems to me to be essential -- we must ask ourselves what these "residues" are that we find so difficult to describe, since we refer to them by means of all sorts of *metaphors*, like "impurities", "survivals", and so on, which is a sign that there is as yet no scientific concept with which to think these objects. Above all, we must, in particular, ask ourselves the following question: is it not rather a specific form of coexistence, or simultaneous presence and interaction of several modes of production, that characterises an economy of transition? And this leads to another question: do not these specific forms of coexistence and interaction of several modes of production constitute specific modes of production?

It is not necessary to work out forthwith the scientific concepts demanded by this way of seeing the problem, but only to offer some considerations which may perhaps help us to find a road that will lead to the establishment of these concepts. This leads me to make a second observation.

(2) What we will for the moment call "survivals" (an expression which makes one think of some legacy from a past which history has not had the time to wipe out) represent, in fact, the *products* of the structures in which these alleged "impurities" are not "survivals", because they are not alien to the real structures in which they exist. On the contrary, they are the result of the totality of the relations which make up these structures, that is to say, of the particular level of development of the productive forces, of the unevennesses of development which characterise these forces, and of, the relations of production linked with these unevennesses of development. If we think of these "impurities" as being "survivals" this is because we have not grasped thoroughly enough the interconnexions of the structures that produce them.

When, indeed, we set about studying an actual economy -- independently of the very idea of

transition -- we have to think of this economy as *a complex structure which is "structured in dominance"*. We mentally grasp a structure like this as a specific combination of several modes of production of which one is *dominant*. It is this dominant mode of production that permeates the entire system and *modifies* the conditions in which the subordinate modes of production function and develop.

In other words, by virtue of their very subordination, these "modes of production" are *different* from what they are in their "purity". Marx speaks in this connexion of the "etiolation" of these modes of production.

What is true, however, of the subordinate modes of production is reciprocally true of the dominant mode of production, the features of which are also to some extent modified by the mere fact of its "dominant" role.

Finally, each of these complex structures constitutes not a simple juxtaposition of modes of production, but a complex structure which is unique, endowed with its own structural causality; At the same time, this unique

page 17

structure is subject, in general, to the dominance of a specific structure which corresponds to that of a given mode of production; for example, the capitalist mode of production. This is why it is that while, in a complex structure of this type, like nineteenth-century France, say, we find numerous structural elements belonging to modes of production other than the dominant mode, we are nevertheless justified in saying that this structure corresponds to that of a capitalist economy.

If the simultaneous presence and interaction of several modes of production is a feature of any actual economic structure whatsoever, then it is, of course, a feature of an economy in transition; but an additional element enters in here, namely, the mode of dominance and the methods of eliminating the non-dominant structures. This is one of the problems we shall have to examine.

I should like to illustrate the observation I have just put forward by taking the example of the situation in the Soviet Union in 1918 and in 1921.

In his report on the tax in kind, dated 9 April, 1921, Lenin said:

"Take a close look at the actual economic relations in Russia. We find at least five different economic systems, or structures, which, from bottom to top, are: first, the patriarchal economy, when the peasant farms produce only for their own needs, or are in a nomadic or semi-nomadic state, and we happen to have any number of these; second, small commodity production, when goods are sold on the market; third, capitalist production, the emergence of capitalists, small private capital; fourth, state capitalism; and fifth, socialism."^[7]

Here we have a typical instance of a complex economic structure, but also an example of an economy in transition to socialism, because, as Lenin stresses in this same report, the working class holds state power and also "the factories, transport and foreign trade".^[8]

Under these conditions, even a certain development of capitalism, whether in the form of concessions to foreign capital, limited in scope and strictly regulated, or in that of a certain growth of internal capitalism, is incapable of changing the predominant orientation, owing to the working-class nature of the state and of the latter's grasp of what Lenin calls the

"commanding heights of the economy".

I now return to the problems set by the analysis of any complex economic structure. In order to analyse such a structure, and especially in order to foresee how it will develop, we can apply the knowledge available to us concerning the way each of these "elementary structures" functions and develops. We must appreciate, however, that this method is only approximative. Its weakness is that it treats as independent modes of production elementary structures which possess no "autonomous" existence except in the idea that we form of them as distinct modes of production, that is, as modes of production which, in their very concepts, are pure structures. This is why the conclusions we can draw from such proceedings are still only approximate. Recognition of the divergences between these conclusions and reality must in the end lead to the conceptual construction of a

page 18

complex structure, structured in dominance, the structural causality of which correspond better to that of the actual economic system.

To this I should like to add that the "mixed" character of the actual structures and systems is not merely an "internal" feature of the various national economies but is also, and to an even greater extent, a feature characteristic of the world economy. For the development of the productive forces in every country is to some extent conditioned by *world production-relations*. This can be seen especially in the countries dominated by imperialism but it is also true in the dominating countries. This therefore means that the world economy itself is a complex structure of complex structures. Now, the world economy is the ultimate economic reality. It is in the world economy that are "combined" (in several dimensions) the most diverse *modes and systems of production* and the *various national economies* which form parts of this complex totality.

Thus, when we study the working of a particular national economy in which a certain mode of production seems to be "dominant" -- for example, the economy of some country in Latin America in which large-scale landownership is dominant on the spot -- we ought not, if we want to arrive at meaningful conclusions, consider this economy otherwise than in its *mode of relations with the modes of production which are dominant on the world scale*; because we cannot understand this national economy if we do not grasp that it is a part of world production-relations. It is thus as an integrated structure, for example, as a structure dominated by the American economy, that the specificity of development of this economy can be understood.

Similarly, the transformations of structures and the different stages of transition that a national economy can undergo cannot be analysed in a valid way except by putting these transformations back into the world structural totality. In this way we can understand how it is that the stages of transition of each economy that carries out its socialist revolution can be qualitatively different from the "apparently analogous" stages passed through by the countries which have preceded it on the same road. This is so not merely for reasons internal to each economy, that is, because of the particular level of development of its productive forces and the unevennesses of this level of development, the class characteristics peculiar to this economy, and so on, but also because the world totality has itself been transformed. From this standpoint, the October Revolution marks the beginning of a new age, not only for the Russian economy but also for the world economy, the structure of which was profoundly transformed.

This leads me to formulate the following proposition: with the dividing up of the world by imperialism, a world economic system was established. The break-up of the unity of this system began with the October Revolution. Since then, world economy has entered a period of transition. The characteristics of this transition, its specific phases, need to be studied as an

objective phenomenon with both national and international aspects. Such a study requires the elaboration of specific concepts. For the moment, we possess only practical concepts, and very poor ones at that, such as "co-

page 19

existence on the world scale" or "the world struggle between the two systems". Such concepts merely point to the existence of a problem, namely, that of the forms and phases of transition on the world scale; they do not as yet enable us to set this problem on the scientific plane. What constitutes the difficulty of the problem is not merely its size or its novelty, it is also the specificity of this world transition which implies political and ideological transformations at the level of the different states, for these are the transformations that, within each state, alter the dominance of a mode of production. These, for example, are what have brought it about that, in the course of a few months, the economy of Cuba ceased to be dominated by American capital and became integrated into the world socialist economy and has taken the road towards the building of socialism. The immediately national character of such transformations often makes us lose sight of the international nature of the process of transition.

After making these general observations, I should like to dwell upon some points of terminology, for through an effort to clarify terminology we may be able to make our way to a more rigorous formulation of the concepts.

II Proposals on terminology

When we speak of the problems of transition, this expression calls up the ideas of passing from one mode of production to another, of the constitution of a mode of production, of the transformation of an economic system, and so on. Each of these expressions in turn may describe different problems. It is therefore necessary to link these concepts together in order to find the road to a theoretical elaboration of the theme. To this end I propose the following terminology:

First of all, I propose that we speak of the theory of the "*constitution*" of a particular mode of production, in order to designate the theory of the formation of certain of the *conditions* for a new mode of production, and so the theory of the origins of this mode of production. It is such a theory that Marx sets forth when, in his analysis of the primitive accumulation of capital, he shows how, *within the womb of the feudal mode of production*, the *conditions* for the capitalist mode of production were formed, and this through the specific working not only of the economic structures but also through that of the political structures, as, for example, the intervention of the political authority to promulgate and put into effect the enclosure acts in England. The same theoretical necessity demands today that we discover the conditions for the socialist mode of production which are in process of formation within the womb of the capitalist mode of production (in the sense in which Lenin said, for example, that "socialism looks out of all the windows of present-day capitalism").

The theory of the constitution, within one mode of production, of some of the conditions of another mode of production, is thus also that of the transformation and dissolution of the existing production-relations. This dissolution affects the whole social structure, and not merely the structure

page 20

of production. It is marked by specific forms of intervention in the infrastructure by the superstructure.

In contrast to the theory of the constitution of the conditions for a new mode of production, it must be said that the theory of the passage from one to the other is on a different level of abstraction, because it is specifically concerned with the *ideal* passage from one production-structure to another, and therefore not with an *historical* passage.

This brings us back to the actual theoretical nature of the mode of production, as a varied combination of the constituent elements of every possible mode (the working people, the means of production), a combination which takes place in accordance with the two relationships (of property and of real appropriation) which are features of the structure of every mode of production.

The *ideal* nature of the modes of production conceived at this level of abstraction has as its consequence that their succession in the realm of ideas may be different from the real transition from one economic system to another. This transition is, indeed, never the succession of one mode of production to another, but always a transition from one complex mode of production, structured in dominance, to another complex mode of production, structured in dominance.

This kind of succession is not subject to any single-line development because here the different levels of the *entire social structure* react on each other and may create the conditions for a direct transition from one dominant mode of production to another, where as, in the ideal series, these modes of production do not succeed one another. We see that the very complexity of the social structures rules out any unilinear development.

As I recalled just now, this complexity extends to the world scale, since each national economy, which is itself a complex of structures, constitutes a *link*, either dominated or dominating, within world economy, and the contradictions that develop in a given country are not merely "internal" contradictions, but result also from the mode of insertion of the country in question into the world economic and political complex (hence the concept of "the weakest link").

Accordingly, while we can conceive of abstract laws of passage from one mode of production to another, we cannot state that any law of linear succession is historically necessary, as between the dominant modes of production of the complex social systems. We know, furthermore, that the dissolution of a mode of production creates merely the *conditions* for the appearance of another determinate mode of production. It does not establish the *necessity* of this mode, for this necessity is determined by the conditions of transformation of a structure that is much more complex than the economic structure alone, namely, the conditions of transformation of the totality of the social structure and the political and ideological superstructures.

Thus, the dissolution of the capitalist mode of production does not create *all* the conditions for its succession by the socialist mode of production

page 21

unless the political and ideological conditions for this succession are present as well. This may therefore take place either sooner or later, depending on the *structure of conjunctures* through which every historical social formation passes. So, in the world totality of today, countries which have not developed internally the capitalist mode of production, or have hardly developed it, are able, owing to internal and international contradictions, to experience a *conjuncture* which enables them to do without the development of this mode of production so far as they are concerned, and to pass directly to the building of socialism; the Democratic Republic of Vietnam is an example of such a process.

Here we see that, in addition to a *theory of the origins* of a given mode of production, we need not merely a *theory of (ideal) passage* but also a theory of the *structure of conjuncture* that opens the way to a transition. This conjuncture is usually one marked by the collision of a number of contradictions, which gives a certain moment of history a revolutionary quality and provokes the re-structuring of a social formation, that is, the replacement of one social formation by another. It is then that there opens a period of transition which can itself be the object of the *theory of transition*.

If we look at these matters on the plane of the national economies, we can say that the current period shows us *two main types* of transition:

(1) That from an economy previously dominated by capitalism (even if internal capitalism was weak or practically non-existent there) to an economy evolving towards socialism; this transition-in-the-strict-sense implies a preliminary condition -- the passing of *state power* to the working class, or to a coalition of formerly-exploited classes within which the working class plays the dominant role.

(2) The second type of transition (transition in the broader sense) is that experienced by an economy which, having been subjected to direct colonial domination, now enters a post-colonial period.

This second type of transition, which does not eliminate the internal forms of exploitation of man by man, implies a much less thoroughgoing breach with the past than occurs in the first type, since, at bottom, the previous domination is not abolished but merely modified. It is not abolished because a system which preserves the exploitation of man by man and in which the state is not in the hands of the working people but in those of the exploiting classes must, in the last resort, seek backing in that part of the world economic and political system which strives to uphold class privileges and is therefore in political solidarity with any and every system of exploitation.

These are, ultimately, the internal economic, social and political conditions that determine the integration of a country either in the world capitalist system or in the world socialist system.

Therefore, the expression "economy of transition", when it is used for the post-colonial economies, seems to be capable of two different meanings:

(1) The expression may simply mean that the previous form of domination has been modified without the nature of this domination being altered.

page 22

This is the case with a country like India, where state capitalism has been used by the Indian bourgeoisie to reinforce its own power. But the very limits which the existing economic system sets to the development of the Indian economy have in the end obliged the Indian bourgeoisie to stay under the domination of foreign capital.

(2) The expression "economy of transition", when applied to a post-colonial economy in which power has not passed into the hands of the working people, seems capable of being used also to describe a situation of momentary equilibrium between the social classes confronting each other. Such an equilibrium, which may lead to the formation of class coalitions (whether formal or not) is eminently unstable. It cannot provide the social foundation for an economic situation with specific laws of development. Such a situation of unstable equilibrium was that which Indonesia knew down to September 1965. I consider that in cases like this one ought not to speak of an "economy of transition", but rather of a "situation of transition": a situation of

this kind is, moreover, usually marked, in the economic sphere, by an almost total absence of development.

If we accept, provisionally at any rate, the terminology which has just been suggested, we shall say that, at the level of a single country, the theoretical problem of the economy of transition concerns the theory of a complex mode of production *which has just replaced another complex mode of production*, following a rupture in the formerly existing structured totality.

The economy of the transition period is thus the economy of *the period directly after a break*, and this is why the theory of the transition is not a theory of origins but a theory of *beginnings*. In the strict sense of the word it is the theory of the *beginnings of a new mode of production*. One of its objects consists of the initial stage, or rather of the problems of the period of initial instability, of the period preceding what Marx calls the "social stability" of the mode of production.^[9]

The initial stage is that in which the fate of the new social formation has not yet been sealed, or in which this fate is still uncertain. In both cases this stage corresponds to the "morning after" a break with a mode of production that was previously dominant, or to a serious shock to the former domination (the case of the period immediately following "de-colonisation" in a formerly colonial country). This "morning after" may, of course, extend in some cases over a number of years.

However, the problems of the economy of transition, as I propose to deal with them here, go beyond this phase of initial instability. They concern, as I have said, not merely the initial stage, as the first stage of the transition period, but the whole of the transition period as the first phase of a period of history. For example, in the case of the Soviet Union, I shall interest myself both in the period immediately following the October Revolution and in the present period.

What, then, constitutes the "*transition phase*" (in the sense of the phase of transition between capitalism and socialism, for example) is no longer the fact of instability or the absence of domination, but the fact of a still

page 23

relatively great *lack of conformity* between the essentials of the new social relations which are henceforth dominant and the productive forces, a state of affairs which also means a certain type of contradiction between the form of property and the real mode of appropriation. Under these conditions, the new social relations do not yet dominate by their own strength; in other words, the conditions for expanded reproduction of these social relations are not yet given.^[10]

When such a situation of lack of conformity between the new social relations and the productive forces exists, the dominance of the new social relations can be ensured only through mediations, for example, in the case of the economy in transition to socialism, by having recourse to those two extreme types of mediation, use of the market (as in the example of the N.E.P.), or administrative centralisation (as in the example of the first Five-Year Plans). These mediations testify to the still very great depth of the internal contradictions.

The latter can only be resolved through a development of the productive forces which will bring about conformity between the new social relations and the productive forces themselves: in the case of the socialist economy, this development must lead to an integration and interdependence of the productive forces far-reaching enough for the mechanism of the market and the mechanism of administrative centralisation to be alike discarded and replaced by a co-ordinated management of the economy through original mechanisms, at the centre of which

there will be a planning center of a new type.

The above observations call for additional terminological definitions. It seems right to reserve the term "*phase*" to indicate the two great moments in the *development of a social formation*, namely:

(1) that of its *beginnings*, i.e., the transition phase in the strict sense which is also that of a specific non-correspondence between productive forces and production-relations (this is a point to which I shall come back): and,

(2) the phase of *expanded reproduction of the production-structure*, which can be subjected to a synchronic analysis and is marked by a dynamism of its own.

Each of these phases is distinguished by a specific interconnexion between the levels of the social formation and between their contradictions, and so by a certain type of uneven development of these contradictions. In the course of one and the same phase, that which at one moment is a principal contradiction becomes a secondary one, or else a secondary aspect of this contradiction becomes a principal aspect. These shifts in contradictions show the pace of development of the different *stages* of a given phase; they are marked by changes in relations between classes or between the different strata of the same class. It was thus that the Kronstadt revolt and the economic crisis preceding it indicated such a shift and compelled the Bolshevik Party to change its economic policy. Lenin wrote at that time:

"Economics in the spring of 1921 was transformed into politics. 'Kronstadt.'" [\[11\]](#)

page 24

Having arrived at this point, we find two kinds of problem coming up:

(1) Is there a typical way of dividing up the transition period into stages, with specific features? If so,

(2) what are the relations between these typical stages and the historical periods through which the economies of the socialist countries have passed?

These are the questions which we must try to answer.

III A fundamental feature of the transition period ¶ ¶

We must, however, begin by offering at least the beginning of an answer to the following theoretical question: if we are to consider the transition phase as a whole, at the level of a national economy, is there any feature common to the whole of the phase which justifies us in regarding it as *one* phase?

If this question be answered in the affirmative, a further question then arises: if there is a feature *common to the whole* of the phase of transition from one mode of production to another (in the strict sense of the word), can different transition phases also have features in common? In other words, if there is a fundamental feature of the phase of transition from the feudal mode of production to the capitalist mode of production, is a similar feature to be found, in a different form, that is, with other terms, in the phase of transition from the capitalist mode of production to the socialist mode of production?

The point of departure for answering this question is obviously provided by analyses relating to the transition from the feudal mode of production to the capitalist mode of production.

As Etienne Balibar has shown, the phase of *transition to capitalism* was marked by a certain form of *non-correspondence* between the formal mode of appropriation and the real mode.

The *formal* mode of appropriation in the phase of transition to capitalism was already the capitalist form of property, that is, the separation of the worker from his means of production; however, the *real* mode of appropriation was not yet the mode of appropriation specific to capitalism, namely, large-scale industry.

Marx wrote on this subject:

"At first, capital subordinates labour on the bases of the technical conditions in which it historically finds it. It does not, therefore, change immediately the mode of production."^[12]

This first phase, this phase of the transition to capitalism is that of *manufacture*. Manufacture thus appears as the *mode of production* of the phase of transition to capitalism. What is characteristic of this mode of production is that manufacture merely radicalises to an extreme degree what was the distinctive feature of handicraft work, namely, the unity of labour-power with the means of labour.

Thus, whereas social production-relations bring about a *formal dissociation* between the worker and his means of production, the labour-process maintains their *unity*. *Non-correspondence* between social production-relations and

page 25

the labour-process is thus characteristic of the period of transition to capitalism.

This non-correspondence is abolished later on, through the industrial revolution, the development of which was made possible by the formal subjection of labour to capital. The industrial revolution, that is to say, the development of the productive forces which this change implies, breaks up the *unity* of the worker with his means of production. The latter cease to be *individual* and become *collective*. Thenceforth there is *separation* of the worker from his means of work on the plane of the work-process no less than on that of social production-relations. There thus comes about a correspondence, what Etienne Balibar calls an *homology*, between the two forms of appropriation. With large-scale industry, the subjection of labour to capital is no longer merely formal, it is real, as-Marx puts it.^[13]

As we know, this *homology* has at the same time an underlying *contradiction*, namely, that which counterposes the *private* ownership of the means of production to the *social* character of the productive forces.

To return to the period of transition to capitalism, we see, then, that this is marked by a *certain form of non-correspondence*. The latter also finds expression as a *chronological gap*, between the formation of the different elements in the structure: capital as a "social relation" exists previous to and independent of the "real" subjection of the worker, that is, of the specific form of real appropriation which corresponds to the capitalist mode of production.^[14]

The question we now have to answer is the following: is the period of transition to socialism also marked by non-correspondence and a "chronological gap", this gap being itself destined to be closed by the triumph of a new type of industrial revolution, that is, by the predominance of productive forces with characteristics corresponding to the new social-production relations?; and this predominance itself being made possible as a result of the prerequisite appearance of socialist production-relations, that is, as a result of a certain type of "chronological gap"?

I think this question can be answered, in the affirmative, by putting forward the following propositions, which, of course, need to be elaborated. It seems that the form of "non-correspondence" specific to the phase of transition to socialism is the following: the mode of property is formally -- so far as the chief means of production are concerned -- that of ownership by society as a whole, whereas the real mode of appropriation is still by limited groups of working people, since it is only at the level of these groups that real appropriation of nature takes place.^[15]

The chronological gap peculiar to the mode of production of transition to socialism would thus also mean the constitution of a mode of formal appropriation "preceding" the corresponding mode of real appropriation.

The material basis of this non-correspondence thenceforth appears as being constituted by the nature of the productive forces that are set to work

page 26

within the framework of what is still called the socialist "enterprise", or "firm", that is, of "enterprises" or "firms" which have to be allowed a certain degree of autonomy precisely because they form the framework in which the real appropriation of nature takes place.

From now on, however, the development of the productive forces in certain branches, e.g., in the production of electricity and in the large-scale chemical industry (in the form of big combines) reveals the appearance of a mode of real appropriation which can still be dominated at the level of society as a whole. When this evolution is complete in essentials, that is, when these productive forces of a new type are the dominant productive forces, there will be a state of *homology* between the mode of appropriation and the mode of property, there will be coincidence between juridical power and effective capacity, and the transition phase will be over. It would seem that it can be said straightaway that this presupposes a very far-reaching development of automation, technical integration and remote control methods of management.

On the basis of the foregoing, we see that what marks the transition phase as a whole is not mainly the instability of the new social order, nor is it the absence of domination by the new production-relations, it is the fact that there is still a relatively large degree of non-correspondence between the new production-relations, henceforth dominant, and the nature of the essential productive forces.

The lower the local level of development of the productive forces in a given country, the higher the degree of non-concordance of which we speak. It was in this sense that Lenin wrote in 1921 that:

"The economic basis of socialism is not yet there ."^[16]

A gap like this has important consequences as regards the articulation of the different levels of the social structure. This non-correspondence implies, in fact, a specific efficacy of the political level. So long as there is non-concordance between the new production-relations and the nature of the productive forces, the functioning of the economic system can be ensured only by specific mediations. For example, in the case of the economy in transition to socialism, recourse has to be had to such mediations as state capitalism, use of the market (as with the N.E.P.) and strong administrative centralisation (as in the first Five-Year Plans).

This seems to me very important in relation to the study of the political superstructures of the transition period, in particular the forms of democracy and the role of the administrative apparatus. This is precisely why Lenin insisted on the idea of the "economic foundations" for

the "withering away of bureaucracy" and the problems of what he called "combating the evils of bureaucracy".^[16]

I think that it is by starting from the idea of *non-correspondence* between the formal and the real modes of appropriation, and by taking into account the *extent* and the *specific forms* of this non-correspondence, that we have to proceed in tackling the problems that arise at the different stages of the economy in transition to socialism, and that we can try to construct a theory

page 27

of these stages. That will enable us to see that, depending on the countries concerned, that is, on the *initial extent* of the non-correspondence and the *specific forms* of this non-correspondence, this transition period can be longer or shorter, and, above all, can be marked by the playing of a radically different role, as between one country and another, by the bureaucratic apparatus, and so by different forms of socialist democracy.

On the economic plane, it is the extent and the specific forms of non-correspondence that must be taken into account in correctly setting the problems of the role played by the market and by money, of the role (now being so much discussed in the Soviet Union) of direct relations between socialist enterprises, of organisational forms in agriculture, of changes to be made in the actual mechanism of planning, and so on.

All these problems are both economic and political. Solving them calls into question the relations between classes or the relations between the different strata of one and the same class, the relations between the "top section" and the "lower ranks", and so on. . . .^[17] In other words, it is a matter of bringing to light the contradictions engendered by a certain type of non-correspondence. Such contradictions, if not properly dealt with, may take on an antagonistic character, or from contradictions of the secondary order become principal contradictions. For example, if the problem of small-scale peasant production is not handled correctly, this may lead either to a setback in the productive forces of agriculture (which had occurred before the introduction of N.E.P.) or to such an increased role being played by the market that the development of socialist production relations may be seriously compromised (as has happened in Yugoslavia).

In concluding these observations regarding the period of transition to socialism, a point needs to be made about the dimensions and the nature of the break separating the phase of transition to socialism from the phase of socialism's further development. It is obvious that this break will be even greater than that separating the transition phase from the last phase of capitalism. We can see already that this break will mean the end of the separation between manual and mental work and between operative work and management, that is to say, the end of subdivisions which are still important within the working class itself.

After these observations regarding the transition to socialism, I should like to go quickly over some problems relating to economies which have emerged from the colonial period. Here it is important to raise the question of the specific nature of these economies in transition.

One of the specific features of this transition is that the *principal* aspect of their present situation is not a result of the *internal* development of their past economic structure, that is, of an internal evolution of their productive forces which caused them to evolve from one stage to another. On the contrary, the productive forces of these countries were generally in a stagnant condition. Further, their post-colonial situation is dominated by the *breakdown* of a political dependence. This breakdown opens the way to

page 28

new possibilities, through specific interventions from the political plane into the plane of production-structures.

Just as the encounter between these colonial societies and the Western capitalist societies belonged, according to Balibar's analysis, to the diachrony of these societies, because it brought about a transformation in their mode of production,^[18] so the breakdown of their dependence tends to bring about (quickly or slowly) a transformation in their mode of production. As with any transition of this kind, we see a specific mode of intervention by the state, law and political force in the mode of production. The rapid development of state intervention, the promulgation of development plans, the nationalisation of productive enterprises and foreign trade, are examples of these numerous irruptions from above at the level of the economic structures. What marks off these interventions from the transition to socialism is that they do not emanate from a state machine that belongs to the working class, or to an alliance of classes led by the working class, but from a state machine that upholds and defends the privileges of the economically dominant classes; here, what plays the decisive role is the contradiction between the making of certain investments and certain *outside* interests, and not, directly, the contradictions within the given society.

I would further add that, where economies that have emerged from the colonial period are concerned we shall have to study essentially something that, though it looks to us like an initial stage, is perhaps only the last stage of the old mode of production, that is, a dissolution that should then lead on to a *real* transition; where the socialist economies are concerned, on the other hand, we shall have to study several stages of the transition period. This will be the case, in particular, with the Soviet economy, of which the on-going transition phase can already be subdivided into a certain number of specific stages, each with its own distinct social and economic, and therefore political, features.

Accordingly, what I propose to examine are essentially the problems of these two types of economy of transition which are characteristic of the world today:

(1) The problems of the *economies which have carried through a socialist revolution*, that is, in which the problems of building socialism are on the order of the day.

It is not, of course, my aim to examine all these problems. It would certainly be more fruitful to give priority to those among them regarding which there is reason to believe that they present us with the most fundamental questions of theory. Among these there is, in particular, the place of simple commodity production, and even of petty capitalist production, in the first stages of an economy evolving towards socialism. This is one of the questions that were raised very sharply at the time when the N.E.P. was formulated.

Another question is that of the forms of transition from simple commodity production to co-operation. Here we find, notably, the case of the

page 29

collectivisation of agriculture in the Soviet Union, but it is necessary also to examine other procedures for transforming agriculture, such as those that have been employed in China.

A further question is that of the forms of mediation needed in order to dominate effectively the contradictions that may arise from the non-correspondence between the modes of formal and real appropriation. We must investigate, especially, the progressive role that these contradictions may be capable of playing, that is, the way they can drive the productive forces

forward, and the conditions that have to be fulfilled in order that this may actually occur.

The questions raised by the linkage of problems of planning and problems of managing the economy will also have to be looked into, particularly through the experience of Cuba and the discussions that have taken place there.

When these questions are gone into thoroughly, it becomes apparent that they are fundamentally theoretical in character, and it is this content that we must endeavour to bring out, by analysing recent historical processes and the theoretical reflexions already formulated regarding these processes.

(2) The problems of the post-colonial economies. Among the questions raised by the evolution of these countries I will mention that of the role and significance of state capitalism. There is reason, for instance, to analyse the specific differences between *this* state capitalism from that which is developing, on the basis of monopoly capitalism, in the big imperialist countries. There is reason, too, to consider the specific differences between the state capitalism of countries which, like India, are dominated by a powerful industrial bourgeoisie, and the state capitalism established in countries with productive forces that are very little developed or where only a very small-scale bourgeoisie, essentially peasant and mercantile in character, is to be found, as, for instance, in Mali or Cambodia.

Finally, it is essential to study the new structures of capitalism, for the twofold reason that the study of these structures is undoubtedly very instructive for our understanding of certain problems that confront the socialist economies themselves and that on the other hand, the recent evolution of capitalism entails far-reaching repercussions on the potential evolution of the post-colonial economies. Here there arises, especially, the problem referred to by the practical concept of "neo-colonialism".

These are, for the moment, the main themes I propose to deal with. I have others in mind, too, but I think it is better to begin working together on themes that have already been defined, before trying to define more precisely the themes which we shall tackle later, or the order in which these will be tackled.

(Introductory statement to the seminar at the École Normale Supérieure, Paris, on: "The Problems of Transition", Decem-ber, 1965.)

page 30

NOTES TO CHAPTER I

1 L. Althusser, E. Balibar, R. Establet: *Lire le Capital*, Paris (Maspero), 1965, Vol.2, pp. 179-85. (Eng. edn: *Reading Capital*, New Left Books, 1970.) [p. 14]

2 *Ibid.*, Vol. 2, pp. 182-3. [p. 14]

3 E. Balibar: *Sur les concepts fondamentaux du matérialisme historique* (On the basic concepts of historical materialism), in *ibid.*, Vol. 2, pp. 187-332. [p. 15]

4 Marx, *Le Capital*, Tome VI, p. 257. (Eng. version from *Capital*, III, F.L.P.H. edn., p. 239.) [p. 15]

5 Althusser et al., *op. cit.*, p. 182. [p. 15]

6 *Ibid.*, p. 183. [p. 15]

7 V. I. Lenin, *Oeuvres complètes*, 4th edn., Moscow, 1962, Vol. 32, p. 313 (Eng. version from *Collected Works*, Vol. 32, pp. 295-6. [Transcriber's Note: See Lenin's "[Report on the Tax in Kind](#)". -- DJR]). [p. 17]

8 *Ibid.*, p. 314 (Eng. version, p. 296). [p. 17]

9 Marx, *op. cit.*, Tome VIII, p. 174 (Eng. version from *Capital*, III, F.L.P.H. edition, p. 774). [p. 22]

10 It is necessary to consider also an opposite situation, in which the old social relations can no longer dominate by their own strength, because henceforth the productive forces overflow, in a sense, the production-relations within which they are supposed to be confined. This situation is that of imperialism in its last stage, compelled to have recourse either to violent measures of coercion or to rapid increase of unproductive expenditure (mainly war expenditure, but also any other form of expenditure aimed at diverting part of the accumulation fund from productive use). This point will have to be examined separately. [p. 23]

11 Lenin, *op. cit.*, Vol. 32, p. 347 (Eng. version, p. 327 [*Transcriber's Note*: See Lenin's "[Plan of the Pamphlet *The Tax in Kind*](#)". -- DJR]). [p. 23]

12 Marx, *op. cit.*, Tome I, p. 303 (*Capital*, I, Eng. edn. of 1938, p. 297). [p. 24]

13 Marx, *op. cit.*, Tome I, p. 535 (*Capital*, I, Eng. edn. of 1938, p. 518). [p. 25]

14 E. Balibar, *op. cit.*, Vol. 2, pp. 228-9. [p. 25]

15 These are points which I have endeavoured to analyse below, in Chapter 2, "The socio-economic framework and the organisation of social planning", and in [Chapter 3](#), "Forms and methods of socialist planning and the level of development of the productive forces". [p. 25]

16 Lenin, *op. cit.*, Vol. 32, p. 346 (Eng. version, p. 325). [p. 26]

17 Lenin, *ibid.* [p. 27]

18 Balibar, *op. cit.*, Vol. 2, p. 314. [p. 28]

2: The socio-economic framework and the organisation of social planning^[1]

I A general survey of the mode of organisation of present-day planned economies

The reality of socialist planned economy is more complex than any picture it was possible to try and form before there had been actual experience of it.

This kind of economy does not merely entail a central authority, the exclusive centre where social decisions are made, and which draws up a plan so highly detailed that the units of production or distribution are reduced to a merely technical function that consists in strictly carrying out the *orders* received from the central authority, which has foreseen everything and calculated everything.

In fact, the plan worked out at the centre, however detailed it may be, lays upon the

production units only a limited number of tasks of an obligatory nature (what are often called the obligatory "indices" or "indicators"). A more or less extensive margin of initiative is thus left to the production- and distribution-units.

Consequently, these units are not mere technical subdivisions of what might have been conceived as a "single state trust". This expression, "a single state trust", was, we know, used by Bukharin in his book *The Economy of the Transition Period*, in which he maintained that, in an 'organised social economy', there was no place for economic science, but only for direct administration of things. We know, too, that this view was not accepted by the other Soviet leaders: Lenin, in particular, regarded it as utopian and as expressing an "ultra-Left" attitude.^[2]

In the practice of present-day planned economy, the units of production are not mere technical units, but *economic subjects*, which as such take *decisions*, and which have had to be accorded a margin of initiative and responsibility that makes of them also *juridical subjects*. These juridical subjects are, as such, sources of rights and obligations. They are subject not only to the obligations imposed on them by the plan but also to the obligations which they themselves undertake.

The products that pass from one economic unit to another are, in general,

page 32

not shared out by way of *administrative orders*, but mostly circulate by way of *purchases and sales*, which give rise to *payments*.

There is thus, in most cases, not a sharing-out of products but a circulation of *commodities*; there is *money* and there are *prices*, that is to say (at least in appearance), there are *commodity categories*, which in turn mean a system of accounting in terms of prices, a system of calculation in money, and differentiated wages, together with a *financial* system and a system of *credit*, with a state *banking* network which can make fairly long-term loans.

This is the description one can give of all the planned economies at present in being, whether those in which the productive forces are most highly developed, as in the Soviet Union or in Czechoslovakia, or those in which agriculture still plays a big part, and where the productive forces are comparatively undeveloped, as in China or in the Democratic Republic of Vietnam.

This complex reality, this combination of socialist state property and social planning, on the one hand, with commodity categories (or at least the appearance of them), on the other, may seem to contradict some of the descriptions of socialist society given in advance by Marx or Engels.

II Some passages from Marx and Engels

I do not intend to speak here about the earliest writings of Marx and Engels, such as Engels's speech on 15th February 1845, at Elberfeld, when he declared:

"In communist society it will be easy to know what is being produced and what is being consumed. As we know what each individual needs, on the average, it will be easy to calculate what a definite number of individuals need, and since production will no longer be in the hands of any private producers but in those of the Commune and its administration, it will not be at all difficult to regulate production according to needs." (MEGA, Erste Abteilung, Band 4, p. 372.)

Such passages as these antedate the working out of scientific socialism. I shall therefore refer

only to certain later passages.

I shall recall, in particular, that in the [Critique of the Gotha Programme](#) (written in 1875), Marx wrote, among other things:

"Within the co-operative society based on common ownership of the means of production, the producers do not exchange their products; just as little does the labour employed on the products appear here as *the value* of these products, as a material quality possessed by them, since now, in contrast to capitalist society, individual labour no longer exists in an indirect fashion but directly as a component part of the total labour." (Quoted from the Editions Sociales, Paris, 1950 edn., p. 23: Eng. trans., F.L.P.H. edn., p. 20.)

In this same *Critique of the Gotha Programme*, Marx explains that he has in mind not developed communist society, but communist society as it has

page 33

just emerged from capitalist society. It is for *this* society, that is, for this economy of transition, that he foresees each worker receiving, instead of wages in money, "a certificate from society that he has furnished such and such an amount of labour (after deducting his labour for the common funds), and with this certificate he draws from the social stock of means of consumption as much as costs the same amount of labour." (*Ibid.*, p. 23; Eng. trans., p. 20.)

According to this passage, there will be in socialist society, even at its beginning, neither commodities, nor value, nor money, nor, consequently, prices and wages. This is the same idea which Marx had already formulated in *Capital* and which about a year later Engels took up again in [Anti-Dühring](#), especially when he wrote:

"The seizure of the means of production by society puts an end to commodity production. . . ." (Quoted from Costes edn., Vol. III, Paris, 1933, p. 51: Eng. trans., 1934 London edn., p. 311.)

There is thus, at least seemingly, a contradiction between the actual working of the socialist economies which we know today^[3] and the analyses made by Marx and Engels.

III The nature of the problems to be studied

If we accept that the present-day socialist economies, as they really are, correspond to *objective demands* imposed by the working and development of these social formations^[4] and not to "distortions" of an "ideal model" (which Marx and Engels always refused to provide), we have to ask ourselves how to explain the contradiction which there at least *seems* to be between this reality and some of the analyses made by Marx and Engels.

It is all the more essential to do this because the good or bad working of the planned economy is obviously affected, in a decisive way, by the forms given to the organisation of this economy, and so by the role assigned to the production units, to exchange between these units, to money, prices, and so on.

On another plane, the role played by commodity categories in the planned economies of today is not without far-reaching influence on behaviour and attitudes, and, more generally, on the ideological superstructures. For this reason, too, one cannot omit to investigate the reasons why commodity categories have been retained, at least in appearance.

Furthermore, the frequent changes in organisation which take place in the various socialist countries (especially, in recent years, in the Soviet Union), the hesitations and fluctuations (towards a greater or lesser degree of centralism, or of autonomy allowed to the enterprises) which these changes reflect, make it plain that the final achievement of the best form of organisation, that is, the best adapted to the level of development and the nature of the present productive forces, as also to the requirements for building socialist society, cannot be regarded as having already been fully attained (though it is through such changes that these requirements make themselves felt).

page 34

The hesitations in the practical sphere themselves show that what is being gone through at present is a stage of research which involves a substantial element of trial and error. That does not mean, of course, that theoretical considerations play no part in current researches, but the hesitations in the field of practice show us that these theoretical considerations do not yet constitute a body of thought strongly structured enough to be capable of guiding with exactitude the search for the best forms of organisation.

We must therefore also look into the theoretical considerations which are generally accepted, and see to what extent we can carry a little further the analyses which underlie them.

This thought is closely linked with a thought about the structure of the plans and about the means of putting them into effect.

By "structure of the plans" I have in mind the order of the dimensions in which the aims of the plan are laid down (both physical and non-physical dimensions), the degree of detail into which the planners go in laying down these aims, and the nature of the plan-indicators that are made binding on each enterprise.

By "means of putting the plans into effect" I mean the respective parts played by administrative orders, economic calculation and the various instruments that are available for directing the economy. For the moment, of course, I shall deal with these different problems only in their most general aspect.

To begin with, I shall say a few words about the most obvious reasons for the apparent contradiction between the present mode of organisation and functioning of the planned economies and some of the formulations made by Marx and Engels, formulations which they always put forward with the greatest caution and which they always refused to offer as anticipations.

Among the most obvious reasons for the retention of commodity categories within the socialist economies of today we must mention the presence in these economies of several different forms of property.

IV The diversity of forms of property in the means of production

We know that, in [*Economic Problems of Socialism in the USSR*](#), Stalin put forward a refutation of the view according to which there is a contradiction between the existence of commodity production in the USSR and the passage we have quoted from Engels, in which the latter declares that "the seizure of the means of production by society puts an end to commodity production".

Stalin notes that, in this passage, Engels does not make clear whether what is involved is the

seizure by society of *all* the means of production, and he rightly observes that, in another passage in *Anti-Dühring*, Engels speaks of society's taking possession of "all means of production". (Costes edn., Vol. III, p. 68: Eng. edn., p. 326.)

Stalin draws the conclusion that, for Engels, the disappearance of com-

page 35

modity production presupposed the expropriation of *all* the means of production in a country (which has not taken place either in the USSR or in any other socialist country). Stalin does not seem sure, moreover, that commodity production would really disappear even if all the means of production were nationalised, at least in countries where foreign trade continues to play a big part.

Indeed, we must take note that, after having remarked that it is only in Britain that, in his view, it would be possible, given the high degree of concentration of agricultural production, to nationalise all the means of production and so to eliminate commodity production, Stalin adds, immediately:

"I leave aside in this instance the question of the importance of foreign trade to Britain and the vast part it plays in her national economy. I think that only after an investigation of this question can it be finally decided what would be the future of commodity production in Britain after the proletariat had assumed power and *all* the means of production had been nationalized." (Stalin, *Les Problèmes économiques du socialisme en URSS*, French Communist Party edn., Paris, 1952, p. 12: Eng. edn., F.L.P.H., *Economic Problems of Socialism in the USSR*, pp. 14-15.)

However that may be, Stalin comments (*op. cit.*, p. 13) that Engels did not answer, and moreover did not try to answer, the question of what happens to commodity production in a country where *only part of the means of production* is sufficiently concentrated to be capable of expropriation, while another part, essentially in agriculture, is broken up to such a degree among owner-producers that it is out of the question to contemplate the expropriation of the latter.

After putting this question, Stalin points out that Lenin answered it, in particular in two of his works, that on the tax in kind and that on co-operation.

This is true, even though, in these works, Lenin did not answer the question in exactly the same terms as Stalin.

Here I think it is necessary to insert a parenthesis.

In the summary given by Stalin (*op. cit.*, p. 14) of Lenin's theses on co-operation and on the introduction of the tax in kind (Lenin's report to the 10th Congress of the R.C.P. (B), entitled "Report on the substitution of a tax in kind for the surplus-grain appropriation system"*, 15th March 1921, the collective farms are indeed put in the centre of the analysis. However:

(1) When Lenin defended the thesis of commodity exchange, he was obviously not thinking of the collective farms, which hardly existed at that time, but of the individual peasants, and in particular the middle peasants. He says so expressly when he writes: "We must try to satisfy the demands of the middle peasants", and when he adds that this satisfaction cannot be given without "a certain freedom of exchange" (Lenin, *L'alliance de la classe ouvrière et de la paysannerie* (The alliance between the working class

[* *Transcriber's Note*: See item 6 in Lenin's [Tenth Congress of the R.C.P.\(B.\)](#). -- DJR]

page 36

and the peasantry), Moscow, 1957, pp. 742-3) (Eng. version, *Collected Works*, 4th edn., Vol. 32, pp. 217-18.)

(2) When Lenin speaks of co-operation, he has in mind not only, or even mainly, producer co-operatives (i.e., collective farms) but also, and especially, trading co-operatives (for buying and selling). This emerges clearly from what he says about co-operative stores, and from his declaration that, in order to be a good co-operator one must be "a cultured trader". (*Ibid.*, pp. 828 and 829: Eng. version, *Collected Works*, Vol. 33, p. 470.)^[5]

Though the second of these observations is not of fundamental importance for the main subject of our present discussion, I think it is necessary to make it for at least two reasons:

a) Because, since the collectivisation of 1928-9, Lenin's idea of the development of co-operatives has been associated in a one-sided way with the idea of the development of collective farms, which was not Lenin's conception -- for him the development of co-operatives embraced all forms of co-operation -- and:

b) Because Lenin ascribed very great importance to co-operatives in the framework of the building of socialism. We know that he wrote: "And given social ownership of the means of production, given the class victory of the proletariat over the bourgeoisie, the system of civilised co-operators is the system of socialism." (*Ibid.*, p. 830: Eng. version, *Collected Works*, Vol. 33, p. 471.)^[5]

After this parenthesis, we can return to the essentials of Stalin's argument: if commodity production survives under the dictatorship of the proletariat, this is:

(1) Because not all the means of production have been nationalised (and they have not been nationalised because they are not all ripe for this), and so

(2) Because there exists, alongside state property, *collective-farm* property, and the collective farms do not give up their products otherwise than by way of *exchange*, i.e., as *commodities*.

It must be added, similarly, that the existence of private production carried on by individual craftsmen, and especially by collective-farm peasants on their individual holdings, constitutes another *raison d'être* for commodity production, exchange, money, etc.

All this amounts to saying that, in the planned economies of today, the state has not taken possession of all the means of production and this is why the commodity categories survive.

This explanation seems to me correct so far as it goes, but inadequate. It does indeed enable us to understand why there is *commodity production outside the state sector*, and why there is *commodity circulation on the periphery of this sector*, when the state sector sells its products to the other sectors or to the consumers, or when it buys products from the other producers, but this explanation does not enable us to understand *the retention of commodity categories within the state sector*.

Why, within the state sector, do the enterprises make purchases and sales? Why do they dispose of their products at certain prices? Why do they carry

out transactions in money? etc. It is these questions that the argument about the co-existence of several forms of property does not seem capable of answering. And this is the problem we must now examine.

V The commodity categories within the state sector

We will first consider the ways in which the retention of commodity categories within the state sector has been explained. Here again we shall find a particularly well-worked-out formulation of these explanations in Stalin's *Economic Problems*. . . . They can be summed up like this:

1 *The commodity character of part of the production of the state sector*

The state sector actually disposes of some of its products as commodities, and so part of its production continues to be *commodity production*, which continues to be *regulated*, at least within certain limits, by the *law of value*.

a) The chief and primary category of products which thus become commodities are the products intended for personal consumption. Stalin writes:

"As a matter of fact, consumer goods, which are needed to compensate the labour power expended in the process of production, are produced and realised in our country as commodities coming under the operation of the law of value. It is precisely here that the law of value exercises its influence on production." (*Op. cit.*, p. 18: Eng. edn., p. 23.)

b) Secondly, even some means of production continue to be disposed of as commodities, namely, those which are sold abroad (cf. *ibid.*, p. 45). The means of production thus exported actually become commodities.

I have already mentioned that Stalin expressed doubt whether, in a country like Britain, where foreign trade plays a very important role, commodity production might not be retained, even if all the means of production were nationalised.

I will leave aside, for the moment, the problem set by the influence of foreign trade on the retention of commodity production. This is a problem of considerable theoretical importance, since, through it, the following question is being asked: does not the complete disappearance of commodity production presuppose also the achievement of socialism throughout the world, and real international planning?

For the moment it is the commodity character of the production of consumer goods that will occupy our attention.

Let me recall, first, that after having mentioned that objects for personal use are disposed of as commodities, Stalin goes on to say:

"In this connexion, such things as cost accounting and profitableness, production costs, prices, etc., are of actual importance in our enterprises. Consequently, our enterprises cannot, and must not, function without taking the law of value into account." (*Ibid.*, p. 18: Eng. edn., p. 23.)

This argument seems to me to be a weak one. The weakness shows itself in at least two ways:

(1) First of all one ought to explain why consumer goods are *sold* for

page 38

money, and not distributed in exchange for labour-certificates, as Marx foresaw in his *Critique of the Gotha Programme*. So long as this is not explained, the problem is merely shifted elsewhere, not solved.

(2) Secondly, even if for the time being we accept the explanation given for the retention of commodity production by the fact that objects of personal consumption are sold, this does not seem to help us to understand why, within the state sector, the means of production are bought and sold and bear a price, etc.

Stalin perceived this difficulty, and formulated a second explanation.

2 *The requirements of calculation*

This second explanation is found in the section of *Economic Problems . . .* entitled "Reply to Comrade Aleksandr Ilyich Notkin". In this section, Stalin asks:

"Why . . . do we speak of the value of means of production, their cost of production, their price, etc.?"

And answers:

". . . This is needed for purposes of calculation and settlement, for determining whether enterprises are paying or running at a loss, for checking and controlling the enterprises." (*Op. cit.*, p. 44: Eng. edn., pp. 58-9.)

It is clear that this second explanation is not satisfactory, either, *for the real question is, precisely, why calculations have to be made by means of commodity categories and why they are not made directly in terms of labour-time.*

If calculations have to be made in commodity categories, then this must surely be because these categories possess a certain reality. What, indeed, would be the use of calculations carried out with categories that did *not* express a certain reality?

This is the heart of the question, and it is not answered by merely remarking, as Stalin does, that the *content* of the commodity categories is not the same as under the framework of capitalism.

It is indeed obvious that these categories do not relate to the same social relations, but they exist nevertheless, they possess reality, they are not just a "pure form" of accountancy, and it is this fact that they exist that has to be explained.

All the more necessary is it to explain their existence because, on the one hand, this does not seem to have been foreseen by theory, and, on the other, the explanation given will be helpful, as regards principle, in dealing with these categories as the expression of real phenomena, with an objective existence (from which likewise follow objective requirements) and not as "conveniences for calculation" which could therefore be manipulated in an arbitrary fashion.

There is something even more important: discovery of the *raison d'être* of commodity categories in the planned economy of today is *a necessary stage in the establishment of effective conditions for the disappearance of these*

commodity categories at a later stage, the stage regarded as the ultimate aim towards which contemporary economic plans have the task of carrying the planned economies.

Before examining what seems to me to form the bases for the existence of commodity categories in the planned economies of today, including their presence within the state sector, I think it will be useful to recall briefly some of the conclusions that have been drawn, or which could be drawn, from the analyses in Stalin's *Economic Problems*. . . . I think it will also be of use to note certain thoughts that are to be found in this work and which may be helpful to us in formulating a reply to the question before us.

3 *The conditions for the disappearance of commodity categories, according to Stalin's "Economic Problems . . ."*

First of all, as regards the conditions for the disappearance of commodity categories, we must note that in Stalin's work the emphasis is laid on the need for the preliminary disappearance of the two main sectors of the present-day socialist economy. Stalin writes:

"Of course, when instead of the two basic production sectors, the state sector and the collective-farm sector, there will be only one all-embracing production sector, with the right to dispose of all the consumer goods produced in the country, commodity circulation, with its 'money economy', will disappear, as being an unnecessary element in the national economy." (*Op. cit.*, p. 16: Eng. edn., p. 20.)

From this Stalin draws the following conclusion, which coincides with that of the founders of Marxism:

"In the second phase of communist society, the amount of labour expended on the production of goods will be measured not in a round about way, not through value and its forms, as is the case under commodity production, but directly and immediately -- by the amount of time, the number of hours, expended on the production of goods. As to the distribution of labour, its distribution among the branches of production will be regulated not by the law of value, which will have ceased to function by that time, but by the growth of society's demand for goods. It will be a society in which production will be regulated by the requirements of society, and computation of the requirements of society will acquire paramount importance for the planning bodies." (*Op. cit.*, pp. 20-1: Eng. edn., pp. 26-7.)

To these two quotations I will add a third, taken from the same work. In the chapter entitled: "Concerning the Errors of Comrade L. D. Yaroshenko", Stalin sets out what he regards as the "three main preliminary conditions" for the transition to communism.

These conditions are, he considers, a relatively higher rate of expansion of the production of means of production; such a cultural advancement of society as will secure for all its members an all-round development of their physical and mental abilities, and which will put an end to the present division of labour; and the gradual disappearance of collective-farm property,

which will be replaced by a form of public property that will make it possible, "by means of gradual transitions, to replace commodity circulation by a system of products-exchange, under which the central government, or some other social-economic centre, might control the whole

product of social production in the interests of society". (*Op. cit.*, p. 56: Eng. edn., p. 75.)

4 Discussion of the preceding theses

From these quotations there emerge the following ideas concerning the conditions for and consequences of the disappearance of commodity categories:

a) This disappearance is conditional on the disappearance of the division of production between two sectors, the state sector and the collective-farm sector, and the progressive raising of collective-farm property to the level of public property.

b) Nevertheless, this condition, while necessary, is not in itself sufficient; in addition, a "social-economic centre" must appear which can "control the whole product of social production in the interests of society", so effectively that a system of "products exchange" will replace "commodity circulation". (Actually, it would seem preferable, in this connexion, to speak of a *system of products-allotment* rather than a system of products exchange.)

These conditions having been realised, the category of value disappears, for "the amount of labour expended on the production of goods will be measured not in a roundabout way" but directly and immediately. The law of value will thus have "ceased to function", and production will be "regulated by the requirements of society".

This leads us to raise the following questions:

First : if the essential condition for the disappearance of commodity categories is the establishment of a "social-economic centre" capable of disposing of all the products in the interest of society, the disappearance of collective-farm production, while constituting a *necessary* condition for the appearance of such a centre, would not be a *sufficient* condition for this. One may indeed ask whether, in addition, certain conditions would not need to be realised *relating to the functioning of the single public sector as a whole*.

Second : What is the root of the difficulty that prevents accounting in labour-time from being substituted for accounting in terms of value? Is it a technical difficulty? Or is it a social one?

In the latter case, is this difficulty bound up only with the existence of two sectors of production, or is it also, and more profoundly, bound up with the fact that, though the cognition or verification of needs is carried out to a very great extent *a priori*, nevertheless a large proportion of needs is not known except *a posteriori*, and then still very inadequately?

If this is so, it will be appreciated that it is not possible at present to determine *a priori*, in an accurate way, the labour-time *socially-necessary* for the production of various goods.

page 41

What can be measured, though not without difficulty, is the labour-time *actually expended*, but this is not automatically the same as the socially necessary labour-time. The latter depends, on the one hand, on a *correct estimation of needs* (otherwise, part of the labour expended may not correspond to any need) and, on the other, on a *correct choice of production-techniques* (otherwise the labour-time expended may not be socially necessary).

That seems to be where the real problem lies. We are all the more disposed to think so today because the techniques for measuring the labour time actually expended in various lines of production have made great progress, thanks to the use for this purpose in recent years of tables of inter-sectoral relations. Here must be mentioned, in particular, the pioneer work of the

Hungarian economist Csikos-Nagy and, more recently, that of the Soviet economist Ivanov (see his article, "Problems of determining the amount of value", in *Vestnik Statistiki*, 1963, No. 2, and the article translated into German in *Sowjetwissenschaft*, 1963, No. 10).

If one of the ultimate and essential reasons for the retention of commodity production lies not in the problems raised by measuring the amount of labour *actually expended* but in those raised by measuring *a priori* the labour-time *socially-necessary*, then a social decision-making centre is undoubtedly necessary for this measurement to be effected: but what makes it possible for such a centre to work effectively is that the objective conditions have been realised for *a priori* estimation of the needs of society and the procedures whereby these needs can best be satisfied by society's labour as a whole.

If this is so, we can say that it is when, and because, society has become capable of consciously regulating its production by reference to its needs (that is, of expending social labour-power "consciously", as Marx puts it)^[6] that the commodity categories will disappear, and not the other way round, with the disappearance of commodity categories enabling society to regulate production on the basis of needs.

By putting the problem in this way we are therefore led to say:

- a) That the root of the retention of commodity production and commodity categories is the absence of a social-economic centre effectively *capable* of disposing of all the products, and strictly regulating production in relation to the needs of society;
- b) that the absence of this centre is connected, in the first instance, with the existence of several forms of property;
- c) that, beyond this diversity of forms of property (and underlying it), it is *the present level of development of the productive forces*, which is still inadequate, that prevents a social-economic centre from being able effectively to dispose, consciously, of all the products, and really to regulate production according to the needs of society.

Observation of the objective conditions of the functioning of the state sector in the countries with planned economies shows that, *even in this sector, a single centre does not attain to such power to dispose and regulate,*

page 42

and it is from this that follows the necessity for a certain autonomy of the enterprises, the need to endow these enterprises with certain powers of disposal, a certain freedom of manoeuvre, which in turn results in the rules of business accounting, the money economy within the state sector, the commodity categories, etc.

Having arrived at this point we must, however, raise two questions:

- a) In the last formulation we have reached, are we not mistaking effect for cause? More concretely, is it not because the enterprises have been given certain powers that there is no social centre really capable of regulating production by needs?

- b) Does not the preceding analysis amount to calling into question the view taken by Marx and Engels that, *when society takes possession of the means of production, commodity production will cease*?

These two questions are closely linked, and so the answers I am going to try and formulate

will likewise be closely linked.

VI *Statisation, socialisation and taking over of the means of production by society*

We must begin with the most fundamental question, which is obviously this: must we cease to accept that commodity production will come to an end when society takes possession of all the means of production?

It seems to me that this question must be answered in the negative.

Commodity production presupposes definite social conditions, namely, producers producing more or less independently of each other. When these social conditions no longer exist, that is, *when society has fully taken possession of all the means of production, there can no longer be any place for commodity production.*

But in that case, it will be asked, how is this assertion to be reconciled with the foregoing analyses? Is there then no lesson to be drawn from the experience of the planned economies? Does no new conclusion emerge from this immense social *praxis* constituted by several decades of planning?

Of course there are conclusions to be drawn from this experience. But these conclusions can only be drawn if the tools appropriate to the analysis of this experience are used, that is to say, correctly worked-out concepts. It is precisely the confrontation of the practical experience of planning with ideas which have not always been defined with sufficient rigour^[7] that should enable us to refine our concepts more thoroughly, and thereby to understand better both the experience itself and the true significance of certain analyses made by Marx and Engels.

In the argument which follows I shall not take the excessively long and pointlessly complicated line of presenting first an analysis of the experience of the planned economies and only then, on the basis of this analysis, formulating more rigorously the concepts enabling us to interpret this experience.

I shall confine myself to the second procedure, that is, I shall try to reformulate certain concepts more precisely and then interpret certain

page 43

passages on the basis of this reformulation: this is how I shall endeavour to take account of practical experience, i.e., through a concrete analysis which I shall not develop here.

Let us begin then, by re-reading certain passages in the light of experience, in order to try and clarify the concepts and establish a unified interpretation of them.

1 *The social implications of state ownership*

It seems to me to be necessary, first and foremost, to set in its context the passage from Engels about "the seizure by society of the means of production", and to illuminate this passage both by means of the context and by reference to practical experience.

Before expounding the idea that with "the seizure by society of the means of production" commodity production comes to an end (*op. cit.*, p. 51.) Engels has shown:

a) that the social character of the modern productive forces tends inexorably to their socialisation, that is, to the appearance of social forms of ownership of these productive forces. He notes that, within capitalism itself, these social *forms* of ownership are represented by joint-stock companies and state ownership. Given, however, that the capitalist state, which officially represents society, in fact represents only the ruling class, Engels says, in a passage I have already quoted:

"State ownership of the productive forces is not the solution of the conflict [between the social character of the productive forces and private ownership], but it contains within itself the formal means, the key to the solution." (*Anti-Dühring*, Vol. III, p. 44: Eng. edn., pp. 306-7.)

b) Engels has also shown that when "the proletariat seizes the state power", it "transforms the means of production in the first instance into state property", and he adds (*ibid.*, pp.46-7: Eng. edn., pp. 308-9): "The first act in which the state really comes forward as the representative of society as a whole -- the taking possession of the means of production *in the name of society* (my emphasis, C.B.) -- is at the same time its last independent act as a state. The interference of the state power in social relations becomes superfluous in one sphere after another, and then ceases of itself. The government of persons is replaced by the administration of things, and the direction of the processes of production. The state is not abolished, *it withers away*."

If we think about these passages and try to clarify them in the light of the lessons of social *praxis*, we see that what Engels is saying is that when the state controlled by the proletariat "takes possession of the means of production", it does this "in the name of society", *which is not the same thing as society's taking possession of them*. It is later, in proportion as the state withers away and the administration of things replaces the government of persons, that there really occurs the taking possession of the means of production by *society*, which administers itself.

If we read the passage from Engels in this way we can appreciate that

page 44

commodity production does not "cease" abruptly, as might be suggested by the interpretation according to which taking possession by the state is equivalent to taking possession by society, but that it withers away as the process of taking possession by society advances, since *this taking possession is a phenomenon that is realised in the course of a period of history, simultaneously with the withering away of the state*.

When we put the problem in these terms, we see that ownership of the means of production by the proletarian state is not yet direct taking possession by society, but the stage that leads to this, on condition that other stages follow (whence the importance, for an entire period of history, of the dictatorship of the proletariat, in order to ensure that the state shall really act in the interests of the working people, and that the retention of the commodity categories, money, and so on, shall not bring about the rebirth, in new forms, of the exploitation of man by man).

This leads us to make a distinction between statisation (even by a workers' state) and socialisation. This is the point I shall now consider.

2 Statisation, socialisation, domination of the productive forces by society

The distinction between statisation and socialisation has not always been made with sufficient strictness, and there are a number of passages where one of these words is used

instead of the other. Nevertheless, a distinction is needed between, on the one hand, statisation or nationalisation (which are *juridical acts*) and, on the other, socialisation, which implies *a capacity on the part of society* to account for and allot the means of production and their products.

Lenin specially insisted on this distinction in a well-known work, "Left wing" childishness and petty-bourgeois ideas (see *Oeuvres complètes*, Vol. 27, pp. 337 et seq.). In this work Lenin launches a vigorous attack on those Communists who, in May 1918, demanded what they called "a most determined policy of socialisation". This is what Lenin wrote in this connexion:

"Dear 'Left Communists', how determined they are, but how little thinking they display. What do they mean by pursuing 'a most determined policy of socialisation?' One may or may not be determined on the question of nationalisation or confiscation, but the whole point is that even the greatest possible 'determination' in the world is not enough to pass *from* nationalisation and confiscation *to* socialisation. The misfortune of our 'Lefts' is that by their naive, childish combination of the words 'most determined policy of socialisation' they reveal their utter failure to understand the crux of the question, the crux of the 'present' situation. The misfortune of our 'Lefts' is that they have missed the very essence of the 'present situation', the transition from confiscation (the carrying out of which requires above all determination in a politician) to socialisation (the carrying out of which requires a *different* quality in the revolutionary).

Yesterday, the main task of the moment was, as determinedly as

page 45

possible, to nationalise, confiscate, beat down and crush the bourgeoisie, and put down sabotage. Today, only a blind man could fail to see that we have nationalised, confiscated, beaten down and put down more *than we have had time to count*. The difference between socialisation and simple confiscation is that confiscation can be carried out by 'determination' alone, without the ability to calculate and distribute properly, whereas socialisation cannot be brought about without this ability." (*Op. cit.*, pp. 348-9: Eng. edn., Vol. 27, pp. 333-4.)[\[*\]](#)

In this passage Lenin contrasts the juridical form (ownership, property) with the concrete production-relations, which are social relations. It is these relations that may or may not make it possible to pass from statisation to socialisation, depending on whether or not they enable society or its organs to account for and allot in a rational way, that is, efficiently, the means of production and their products.

State ownership is a *necessary condition* for socialisation *on the plane of the state* (which is not yet socialisation directly on the plane of society), but it is not by itself a sufficient condition. In order that there may be socialisation on the plane of the state, the latter must have the *capacity to dispose effectively and efficiently of the means of production and their products*. Without this *capacity*, we have nationalisation without socialisation. Such a capacity results from an *historical development*, it is connected with the actual development of the productive forces (which include men themselves, and the level of their knowledge) and with the correlative transformation of production-relations.

I shall have to come back later to various aspects of the problem of the greater or lesser correspondence between juridical *authority* to dispose of certain means of production and effective *capacity* to dispose of these means of production. We know that what matters, in the last resort, is concrete capacity and not abstract "authority".

It is quite obvious that, on the basis of one and the same state ownership of the means of

production (i.e., on the basis of the same juridical form), many degrees of concrete capacity to set these means of production to work are possible. It is therefore only if there is a sufficient level of capacity that there is real domination by society, or by the state acting in the name of society, over the means of production, and thus effective taking possession by society. Only when the taking possession by society of which Engels speaks attains a sufficient degree and level can society allot social labour in a conscious way, and the commodity categories disappear.

The building of socialist society is thus an historical process during which *planning* begins by being *social direction* of the productive forces (through a -- more or less complete -- effective socialisation of these forces), and becomes *social domination* of them (which leads to the complete disappearance of commodity production).

The fact, explicitly recognised by Lenin, that statisation does not automatically coincide with socialisation, in the sense of effective "social direction" of the statised means of production (and, so, *a fortiori*, in the sense of

[* *Transcriber's Note*: See Lenin's "['Left-Wing' Childishness and the Petty-Bourgeois Mentality](#)". -- DJR]

page 46

social domination of these means of production) is fully confirmed by the difficulties encountered in putting plans into application even within the state sectors of the socialist economies of today. The successes achieved in this effective planning, and the difficulties encountered, show precisely that the objective conditions for real social domination over the forces of production are only in the process of coming into being, and this is why it is necessary to allow a relative freedom of manoeuvre either to the production units of the state sector or to certain "economic groups" which can be called economic *subjects*.

It must be emphasised at this point that the non-coincidence between nationalisation and effective social direction stands out very clearly when one considers the nationalisation of the land from the standpoint of its consequences in respect of the social direction of the productive forces of agriculture.

In the Soviet Union, for example, the land was nationalised at the time of the October Revolution, but *exploitation of the land* (that is, the practical setting to work of the productive forces of agriculture) was for a long time after that event mainly undertaken by individual peasants.^[8]

Twelve years after the October Revolution (on the morrow of the collectivisation carried out during the First Five-Year Plan), the exploitation of the greater part of the land was the responsibility of the collective farms, that is, not of the state or of organs directly dependent on the state, but of groups of working peasants.

The efforts of the Soviet state to direct the productive forces of agriculture have taken, successively or simultaneously, a variety of forms: production-plans of the collective farms, ratified by the state organs, directing role of the Machine and Tractor Stations, plans for commercialisation of agricultural production, use of "economic levers" (i.e., especially, the price system). At present the state uses essentially indirect methods to direct collective-farm agriculture. I shall return to this point in a moment.

Furthermore, even today, the production realised on the peasants' individual holdings is only indirectly or very imperfectly the object of social direction, though the land of these individual holdings is also state property. If this is so, it is not, of course, because the production of the

individual holdings is of slight economic interest -- on the contrary, the contribution made by these holdings to total consumption is far from negligible -- but because *the very nature of the productive forces put to work* on these holdings does not allow of effective and direct social direction of their use.

To a lesser extent (that is, with a greater possibility of social direction), this is also true of the productive forces of the collective farms: this is what accounts for the abandonment of attempts, never crowned with success, at *direct* planning of collective-farm production and the attempt to direct it *indirectly*, through plans for commercialisation and the combination of technical and administrative management (to which corresponded the creation, in March 1962 of collective-farm-and-state-farm production managements)^[9] and the increasing use of "economic levers"

page 47

through the revision of the system of agricultural prices, carried out several times since 1953).

Thus we see that what, besides state ownership (which is the starting point and basis of real planning), is equally necessary for *direct* social direction of the productive forces is *a sufficient development of these forces, resulting in their having a sufficiently social character*. So long as this development is inadequate, state ownership may remain partly an empty juridical framework. As Marx puts it in the *Critique of the Gotha Programme* :

"Right can never be higher than the economic structure of society, and its cultural development conditioned thereby." (*Op. cit.*, p. 25: Eng. edn., p. 22.)

This means that if the legal regulations promulgated do not correspond to the economic state of society, these regulations remain, partially or temporarily, without effect, or else their actual effect is not what was expected. We perceive here an aspect of the law of necessary correspondence or non-correspondence between the production-relations and the character of the productive forces.

If this correspondence is ensured, the production-relations do not impede the development of the productive forces. If it is not ensured, if there is a contradiction between the production-relations and the character of the productive forces, the latter do not develop as fast as they technically could, they develop irregularly, through a succession of periods of slow development and other periods of more or less rapid development, and perhaps even periods of stagnation.

One of the essential problems of the development of the planned economy is to ensure the fullest possible correspondence between the production relations and the character of the productive forces. It is by way of this correspondence, consciously sought for, that the socialist state, which is master of the "commanding heights" of the economy -- that is to say, which has eliminated private ownership of the social means of production -- is able to ensure the overall direction of the productive forces, expanded reproduction on the scale desired, and *preparation* of the conditions for *complete social domination* of the productive forces, a domination which will be finally ensured by the disappearance of the commodity categories and of the state itself.

3 *Adaptation of property forms to the level of development and the character of the productive forces*

If socialist planning is possible, this is because, basically the productive forces of modern times are social in character and the socialist state deals with them in accordance with their nature. It was in this sense that Engels wrote:

"This treatment of the productive forces of the present day, on the basis of their real nature at last recognised by society, opens the way to the replacement of the anarchy of social production by a socially planned regulation of production in accordance with the needs both of society

page 48

and of each individual." (*Anti-Dühring*, Vol. III, p. 45: Eng. edn., pp. 307-8.)

a) *The more or less social nature of the productive forces.*

Treating the productive forces in accordance with their nature means, first, recognising the *degree of actual socialisation* of the various productive forces, and then adapting property-forms and production-relations (i.e., the forms taken by relations between the producers, individually and collectively) to the degree of socialisation, which is constantly increasing, of the productive forces. It thus signifies *recognising certain objective requirements* and conforming to them. Without conforming to them it is not possible to give social direction to the development and utilisation of the productive

The first requirement that has to be met if social planning is to be ensured, the most fundamental requirement of all, is that the state should take possession, in the name of society, of all the means of production and exchange which are really social in character.

The more or less social character of a production process and, therefore, of the means of production employed in it, is essentially linked with two types of evolution:

(1) The increasingly social origin of the means of production which are set to work in the given production-process;

(2) The increasingly social destination of the products which emerge from the given production-process.

By the "increasingly social origin" of the means of production set to work in a given production-process is meant the fact that these means of production come from an increasingly large number of branches of the economy. Thus, in the beginning, agriculture, for example, is more or less self-sufficient; that is, the number of means of production of extra-agricultural origin (or, at the level of the agricultural unit of exploitation, coming from outside this unit) which are employed is very limited. Increasingly, however, agricultural production comes to depend on means of more and more diverse origin: tools, machinery, fuel, electrical equipment, electric power, fertiliser, insecticides, herbicides, etc. The same is true in every branch of industry, starting with the extractive industries and going on to embrace the transformative industries, and in every unit of production.

The increasing socialisation of the productive forces is thus shown in the fact that every branch has recourse to means of production from an ever-greater variety of sources. This process is the other aspect of the increasing division of labour and the increasing specialisation of economic activities. It is this socialisation of labour that forms the objective basis for planning and renders it both possible and necessary, owing to the increasing *interdependence* of the various elementary processes of production.

We are now able to measure, more or less accurately, by means of certain coefficients, the degree of socialisation (from the standpoint just explained) of different branches of production in a number of countries.

For example, if we consider the use, direct and indirect, of industrial

page 49

products by agriculture, we see that for a value of gross production equivalent to 1,000 the consumption of industrial products by agriculture is 61 in Italy, 78.3 in France, 88.8 in the USSR, 89.9 in Britain and 108.7 in the USA.^[10] In the case of very advanced agricultural units the industrial in-put coefficients would, of course, be very much higher.

These percentages are, naturally, affected by the comparative levels of industrial and agricultural prices; they are none the less significant, however.

More detailed analysis of the industries that contribute to agriculture's productive consumption also gives interesting results. It emerges that, for a gross production value of 1,000, American agriculture consumes 4.4 products of the engineering industry, while Soviet agriculture consumes 27.8; on the other hand, consumption of products of the chemical industry is 21.1 in the United States, and 7.7 in the Soviet Union, on the same basis.

By "increasingly social destination of the products" is meant the fact that the products arising from a production-process are destined, generally speaking, to be sold to an increasing number of users, either directly or indirectly. This phenomenon has various aspects:

A. Each branch of production works, either directly or indirectly, for an increasing number of other branches. This is merely another side of the increasing social division of labour. Thus, the chemical industry which, when it appeared as a distinct sphere of production, worked in the first place only for a small number of other industries, has progressively expanded the field in which its products are used. Today this field is practically universal. It ranges from agriculture through the extractive industries, to the metal-working industries (especially in the treatment of metals), etc. If we take *indirect uses* into account, we see that at the present time every branch of production is virtually working for every other branch, and consequently feels the impact of every fluctuation that may occur in any sector of the economy.

To illustrate the extent to which the products of one branch of industry are distributed through the others, it is possible to use other coefficients besides the foregoing.

For example, one may use for this purpose the coefficient of productive utilisation" (in the sense of intermediate consumption) of the products of the different branches. In terms of prices at the point of production, we find that 63.5 per cent of Soviet agricultural production is destined for intermediate consumption, as against 71.3 per cent of American, 54.6 per cent of Hungarian and 45.2 per cent of Yugoslav.

For the same purpose of discovering the degree of socialisation of production (in the sense of this word now being considered) we can examine the figures relating to the degree of utilisation by various industries of the products of each industry (see on this point the table on page 832 of the German translation of the article mentioned in [note 10](#)).

As Berri and Shvikov write in this article: "A comparison of the structures of production, using inter-sectoral balances, enables us to discover

page 50

important features in the production-structures of different countries, features which are determined above all by the degree of development of technique and of the social division of

labour. . . ." (*Ibid.*, pp. 832-3.)

B. The increasingly social destination of the products is also shown in another way, when we examine the *size of the community served by a production-unit*. With the advance of the productive forces this size usually (though not necessarily) grows larger. Thus, it may successively be local, micro-regional, regional, national or international.

The need for state ownership of certain means of production is all the greater because these means of production are used in activities (or in economic units) which are more thoroughly integrated in the social division of labour, either through the very nature of the means of production employed or through the destination of the products.

b) *The degree of socialisation of the productive forces and the levels and forms of ownership of the means of production.*

While state ownership or nationalisation is necessary for social direction of the productive forces, where all those means of production are concerned which are well integrated into the social division of labour, or which serve the needs of a nation-wide or international community, on the other hand, as a general rule, social ownership needs to be established at a lower level in the case of means of production that are less integrated in the social division of labour or which serve the needs of a community less than nation-wide in its scope.

Analysis of the great experiences of the building of socialism shows that these "lower levels of social ownership" of certain means of production may consist of ownership by regional or local organs of the state power, ownership by local politico-administrative authorities (municipal councils, for instance), or, at a still lower level, various forms of co-operative ownership.

When the socialisation of the productive forces is very slight, as in small peasant holdings which are not mechanised, and in handicraft production, going over to social forms of ownership (nationalisation, establishment of craftsmen's co-operatives, etc.) may, if it is carried through without substantial technical changes, correspond to no objective economic necessity. When this is so, a decision to make this change cannot help the productive forces to progress, or even provide a better management or a better current utilisation of them (sometimes, indeed, as a result of going over to forms of ownership that do not correspond to the degree of actual socialisation of the means of production, a setback will be given to the economic efficiency with which these means of production are used).

When decisions have to be taken on changes in property-relations, *economic criteria are not, of course, the only ones that have to be taken into consideration*, especially in periods when class contradictions are assuming acute forms. It may be necessary, for instance, in order to consolidate the social foundations of the socialist state, to nationalise means of production which, from a strictly economic standpoint, do not call for nationalisation.

page 51

Political needs then take precedence of economic ones, since the consolidation of the power of the socialist state is, indeed, the essential condition for further economic achievements and the guarantee that these achievements will be socialist in character.

On the other hand, it must be stressed that nationalisation, or lower forms of social ownership, may be indispensable, despite the slight degree to which certain means of production are socialised, if *the requirements for further development of the socialist economy are to be met*. This applies in relation to the following problems:

A. *The problem of rapid introduction of new techniques*, especially in agriculture. Peasant holdings do not as a rule offer a favourable framework for mechanisation or the introduction of new measures of agricultural technique. Consequently, the transition to modern agriculture may require as a preliminary measure the introduction of collective forms of ownership; these then form the indispensable framework for the future progress of the productive forces in the direction of socialism.

We must, of course, examine closely the concrete forms of collective ownership which are in fact needed in order that certain techniques may be introduced. Thus, I do not say that collectivisation of the land is in every case the best way of ensuring *collective utilisation of mechanical means of production*.

Also in need of close examination is the problem of the *pace* of transition to collective forms of property: if this pace is much faster than that at which new techniques can *actually* be introduced, there is a risk of establishing a juridical framework that will long remain inappropriate to the nature of the productive forces. The negative economic consequences of such non-correspondence may be numerous.

Besides these economic considerations, social and political considerations are obviously of decisive importance in what may be seen as the right pace for going over to collective forms of ownership. Among such considerations must be mentioned, in particular, the extent to which these new forms are accepted by the persons concerned, the effect that a certain pace of change in property-relations will have on the balance of strength between the classes of society, and so on.

To come back to the more directly economic aspects of the problem, it will be observed that better use of the existing means of production, through specialisation and regrouping of production-units, may also be a determining reason for far-reaching changes in forms of ownership. This can happen, for instance, in the case of transition from individual to co-operative production in handicrafts, or of replacement of small-scale private capitalist production by mixed enterprises, in which means of production contributed by the state are associated with means of production contributed by private capitalists. In other situations, nationalisation may be the only way to ensure that existing means of production are used to the best advantage.

In all these cases, the concrete forms that must be assumed by the new

page 52

property-relations, and also the procedures for changing from one form of ownership to another, and the pace at which these new property-relations will have to be introduced, can only be decided as a result of very careful consideration of a number of economic, social and political factors.

We know that transition from *private* forms of ownership to *collective* forms can be ensured by other methods besides nationalisation, on the one hand, or forming co-operatives, on the other. In fact, the methods by which the private sector, and above all the capitalist sector, can, over a certain period, be progressively *transformed* into a socialist sector, or absorbed by this sector, are extremely numerous. The various historical experiences that have now been undergone, especially those relating to the different forms of *state capitalism* established in China between 1949 and 1957, are especially rich, and the cycle of such experiences is certainly far from complete.

In general, one may suppose that the increasing role played by the economy of the socialist

countries in world economy will make it possible to find fresh and increasingly flexible ways of transforming the private and capitalist sectors and absorbing them into the socialist sector.

B. *The mobilisation of a sufficiently large accumulation fund* to ensure the further development of the socialist economy may constitute another reason determining transition at a relatively rapid pace to forms of social ownership that are "ahead" of the social character of the means of production.

In a certain number of instances, nationalisation or collectivisation are *the only possible ways of mobilising the economic surplus* that is formed in some sectors of the economy. Nevertheless, if these changes in property-relations would go too far beyond the degree to which the productive forces are actually social, and if other ways of mobilising the surplus are possible and would be more efficient (such as taxes, the use of prices for redistributing the net product, and even loans, etc.), it may not be advisable to change the property-relations too prematurely, since, by so doing, one may sometimes reduce the efficiency with which the means of production are used and so, in the end, reduce the absolute amount of the economic surplus (to such an extent that, even if a larger *proportion* of it is mobilised, the *absolute amount* available for social purposes may be no greater than before, or may even be smaller, despite a possible reduction in the amount consumed by certain social strata).

C. *Full employment of the labour-force* may also demand a transition to social forms of ownership, since this is sometimes the only possible framework for the development of collective work and redistribution of current income in accordance with work done. This was the reason, on the economic plane, for the rapid development of the co-operatives in China in 1956-7, and then that of the people's communes in 1958. In this way the conditions were established for a technical division of labour that was made both necessary and possible by the presence of a *relative* surplus of agricultural labour-power.

page 53

To conclude these remarks on changes in property-relations, I think it is very important to stress again the following two points:

(1) Since the productive forces are destined to become more and more social in character as they progress, it is essential that property-relations and the totality of society's juridical rules be such as to ensure that it will be *possible to appropriate these productive forces on an ever higher social plane*.

From this follows the great importance there may be in possibilities for the merging of co-operative economic units or the formation of inter-co-operative units (such as, for example, mergers between collective farms) which, from a certain point onward, are alone capable of putting to use the modern means of production which the co-operatives have in their charge.

From this follows, above all, the decisive importance that can attach to state ownership, even of means of production which are *not yet* fully social in character, because, as already mentioned, this ownership prepares the framework within which this social character will be able to develop fully, under conditions much better adapted than the co-operative framework to the progress of planning and the eventual withering-away of the commodity categories. The co-operative framework, indeed, permits the survival, or even the strengthening, of ownership in certain means of production by *relatively small groups*: and these groups may come to form an obstacle to respect for *overall social interests* -- all the more seriously the more these groups are mainly economic in character, and the larger they are, controlling considerable resources.

Thus, the question of progressively raising co-operative property to the level of public

property, or of what has been called "property of the people as a whole", is a question that must inevitably arise at a certain stage of development of the productive forces.

The way this question can best be handled, without arousing useless social contradictions, is not yet clearly settled. It is not certain that the merging together of collective farms, even if this is desirable at the present time, provides a complete answer.

The progressive merging of state organisations and co-operative ones in a single production *complex* may, perhaps, be more likely to furnish the solution. The setting-up in the Soviet Union of collective-farm-and-state farm directorates may mark a stage towards a solution of this sort, but it must at once be said that this measure was not adopted with that prospect in mind, but merely in order to solve certain urgent problems of Soviet agriculture.

Another line along which the transition may be effected from ownership by limited groups of producers to public property is perhaps that of the Chinese people's communes. Actually, the people's communes are not expanded co-operatives but *political and administrative organs*, that is, *local organs of the state power* which are thus able to transform themselves into local organs of the *national administration of the productive forces*.

In any case, I do not propose, for the time being, to dwell at length on the questions which arise in this connexion. What I want to do is to stress

page 54

that contradictions are possible, and in some instances inevitable, between ownership by a small group of producers and the interests of the national economy as a whole.

A current manifestation of these contradictions can be observed in the sphere of the state organs' policy regarding prices to be paid for the products of the co-operatives. This is a point to which I shall have to return.

A parenthesis can be inserted here, pointing out that a problem similar to that just mentioned may also arise when *rights of disposal or control, of a certain scope*, are accorded to economic groups of limited size (for example, to the group made up of the workers in a particular factory), over *means of production which are entirely social or are destined to become such fairly quickly*.

In fact, when rights of disposal and control are institutionalised in favour of a limited group of producers (as, for example, when a group like this is given power to decide what it will produce, what it will invest, the prices at which it will sell, the amount of income it will consume, and so on), such rights can give rise to the *equivalent* of a kind of ownership by this limited group, even though, in theory, the means of production over which these rights are exercised are public property.

We must keep this problem in mind when we approach the question of councils of management (notably as these exist in Yugoslavia) or other forms of organisation which may engender a new contradiction between the social character of certain means of production (which result from the work of many branches of social production and the products of which are in turn destined for a great variety of branches of social production), and the rights of disposal and control over these means of production accorded to the workers (that is to say, the limited groups) who have to operate them.

It must be observed at this point that, with the progress of automation and of electronic techniques, it can happen that means of production which represent a substantial amount of

social labour are operated by an extremely small group of workers.

(2) On the other hand (and this is the second point to which we have to return), while it is often necessary to establish forms of ownership which "anticipate" to a substantial degree the completely social character, not yet actually realised, of certain productive forces (in order to ensure the development of these forces, or to ensure the socialist character of economic development and thus to make easier the mobilisation of the economic surplus, etc.), it remains none the less true that the result of doing this may be a certain *non-correspondence between the forms of property and their content*, in so far as productive forces which are still not fully social have been taken over either by a group or by the state, in the name of society.

This last point alone requires a fairly detailed analysis. At first glance, at least, such an analysis must deal with the problems of internal organisation of the socialist sector belonging to the state.

Actually, these questions *go beyond* mere problems of organisation. They relate to the *real production-relations*, to the nature of the *economic subjects*

page 55

which together make up the socialist sector belonging to the state, and they thus oblige us to consider once more, from a different angle, the problem of the role played by the commodity categories within socialist society, at a given stage of its construction or of its development.

We thus come back to the problems we raised earlier, about the nature of the relations established between the producers, or the groups of producers (which constitutes the fundamental aspect of the production-relations),^[11] and about the nature of the economic and juridical subjects within the socialist sector belonging to the state.

4 *The production-relations within the state sector of the socialist economy*

At a certain degree of development of the productive forces and the maturation of their social character, the relations between the different production-units cease to be capable of establishing themselves on a day-to-day basis, with the completion of certain production-operations (as still happens today in many sectors of production). Thenceforth, these relations have either to be predetermined, in essentials at least, and therefore conceived in advance and regulated by a plan, or else determined currently by a *social decision-making centre*.

In either event, it is no longer necessary or even possible for the production-units to establish merely direct but irregular inter-relationships (through which the social character of the labour performed within each of them manifests itself). Relationships between production-units must henceforth be either predetermined, in which case they will be regulated in advance by the plan, or else decided and programmed at some level which is higher than the production-units themselves. The latter thus become cells in a *technical division* of labour.

Either way, the work done within each production-unit can assume a directly social character, in the sense that it corresponds, at the very moment when it is performed, to a social need the dimensions of which have really been calculated in advance.

When this is so, the *destination of the products is predetermined in a socially-conscious way*. The "production-units" are now no longer anything more than technical organs of the division of labour; they are no longer centres of economic decision-making. In other words, the technical division of labour has been raised to a higher level.

When, on the other hand, this is not so, the various production-units continue to provide products the destination and utilisation of which are determined in advance only with a rather large element of uncertainty. This is what makes it necessary to allow these production-units a certain amount of freedom to manoeuvre. This "freedom of manoeuvre" is, in fact, only the other side of an *inadequate degree of social forecasting*. It expresses the *de facto* inability of society, or of its organs, to regulate *the whole* of social production "consciously".

As I have already indicated, it is this situation that, in my view, explains the necessary survival, throughout an entire period, of the commodity

page 56

categories, and the existence of *distinct economic subjects* even within the state sector of the socialist economy.

Before analysing more closely the bearing of the facts mentioned above, and the objective conditions for them to disappear, we must throw light on the existence, in the socialist economies of today, of three categories of phenomena which seem, as it were, to presage or announce beforehand the ways in which economic subjects possessing a certain amount of autonomy will vanish from the scene.

a) *Planned obligations to buy and to sell.*

The first of these phenomena is to be found on the plane of planning itself. It makes its appearance when the economic plan does not restrict itself to fixing the production *targets* which have to be reached by the various branches of the economy or the various production-units, but lays down for each enterprise not merely the quantitative and qualitative detail of the production tasks to be fulfilled but also, and above all, its sources of supply and the destination of its products.

This latter practice is very widespread in the Soviet Union and in the socialist countries of Europe. Where it prevails, it reduces the part played by contracts between enterprises to that of executive instruments of a plan for allotting products, or that of giving concrete form to certain minor aspects of the obligations laid down by the plan.^[12]

In reality, it seems to me, this practice can mean two opposite things:

(1) In some instances, this practice results from a situation of comparative shortage, i.e., of a poor adjustment between resources and needs.

In that sort of situation, the total amount of demand pressing upon current production, as expressed by the using enterprises (whether productive or trading enterprises matters little) at the given price-level, and given their financial resources and the tasks they have to carry out, would tend to exceed supply. When this is so, and if, for some reason or other, no change is made in any of the factors mentioned above (price-level, amount of financial resources, scope of tasks to be carried out), an *administrative share-out* is unavoidable. This sharing-out of the products by administrative methods may be provided for in the plan or it may be effected by administrative decisions which are distinct from the plan in the strict sense, though taken in pursuance of it.

Whatever the procedure followed, the application of an administrative share-out reduces to the minimum the "freedom of manoeuvre" of the production-units and also reduces to small importance the practical bearing of the contracts made between these units. Nevertheless, a situation like this, which itself results from a state of comparative shortage, cannot be seen as

presaging the disappearance of economic subjects endowed with a certain degree of autonomy and the correlative disappearance of the commodity categories. This situation is not the consequence of an abundant and harmonious increase in the productive forces but, on the contrary, of a still weak and insufficiently harmonious development of these forces.

(2) In other instances, contrariwise, centralised sharing-out of certain

page 57

products does not reflect the inadequacy of the amount of these products available, but results from the fact that only one central authority is in a position to estimate *how to ensure the best social utilisation of the products under consideration*.

One can cite as examples of such cases the centralised allocation of investment resources and of certain capital goods, when this allocation can be done optimally only by taking into account a wide range of factors, such as the *future* pace of development of the various production-units (some of which may belong to an extremely wide variety of branches of production). Another example is that of the calculations required for the optimum *spatial* arrangement of the production-units to be set up. The part to be played by a central authority becomes decisive as soon as it is necessary to take into account factors which are beyond the economic "horizon" of each production-unit taken separately and which therefore cannot be included in economic calculations carried out at the level of one isolated unit.

When this is so, a situation really exists in which the commodity categories and the relative autonomy of the production-units have ceased (at least so far as the operations under consideration are concerned) to be adequate instruments for expressing *social needs*, even indirectly. In such a situation, the needs are, and can only be, grasped directly and expressed without recourse to commodity categories.

All the same, one may ask whether, in a case like this, recourse to the administrative share-out is really the most appropriate method of allotment, or whether it may not rather mean that practices dating from a situation of shortage are being applied to a different situation.

There are, in fact, *other ways of effecting a centralised allotment besides the purely administrative way*. These ways are less rigid than the latter and they are, moreover, often actually used. Without wishing to make too much of this aspect of the matter, I think it may be useful to note the following points:

A centralised allotment of certain means of production can be accomplished, for example, by setting up a *central office for buying and selling* all products of a certain kind. Centralised allotment by this method can be economic rather than administrative. Thus, the central office for buying and selling can be entrusted, under the plan, with:

(1) Conveying orders to the various production-units for the goods which the central office has to "allot", these orders being conveyed in accordance with the plan, as regards both specifications and delivery dates; while, on the other hand,

(2) The production-units which, under the plan, will have to use the products in question, send their orders for these products to the central office.

The central office can thus keep a clear running account of the actual allotment of the products for which it is responsible and, if necessary, can modify the priority in which the users will receive the goods they have ordered, so as to allow for the actual way the situation is evolving, and

page 58

especially for the real capacity of each particular user to instal a given piece of equipment at a given moment.

In this way the direct link that would otherwise be established between a particular supplier and a particular user can be broken. A direct link of this kind, though it offers great advantages in some cases (fixing of responsibility on definite persons, adaptation of the quality of the products to the users' requirements, etc.), may also offer serious inconveniences from the standpoint of social supervision of the allotment and use of a certain number of products. This type of direct link may, in particular, result in a user who should have been given priority having to put up with delays due to the fact that his supplier has made a quicker delivery to another user. Similarly, this type of direct link may result in a supplier honouring his contract by despatching equipment to a user who is, in practice, not in a position to instal this equipment forthwith.

The existence of central offices for buying and selling does not necessarily mean, of course, that these offices themselves have to take delivery of the actual products they allot: sometimes this may occur, but sometimes the offices may confine themselves, at whatever time they choose, and taking all the circumstances into account, to instructing a particular production unit with which a contract has been made to supply certain products to a particular using unit.^[13] Verification of the quality of the goods delivered can then be ensured by the central office which is responsible to the user for this quality as well as for the honouring of delivery-dates and specifications.

Respect for the norms of allotment which have been laid down centrally may also be ensured through the intervention of the banking system. This is done by assigning to each production-unit which uses certain products *credits that cannot be used except for obtaining these products*. When this is done, the using enterprises can obtain those goods covered by this *credit-appropriation* system only within the limits of the credits assigned to them for this purpose. This amounts to temporarily depriving part of the money in circulation of its role as universal equivalent.

(It is to be observed that, in any case, the role of money as universal equivalent is played only to a greatly reduced extent inside the socialist state sector as it operates in the Soviet Union, owing to the fact that use of the circulating funds held in money form by the different enterprises is subordinated to the actual requirements of the economic plan.)

Through the mechanism of "credit-appropriations" the banking system is used as an instrument for carrying out in a relatively flexible way a plan for the allotment of certain products which has been drawn up centrally. In this case, however, the using enterprise can choose its own supplier and fix the delivery date it wants, and also, perhaps, specify some other points in connexion with the order it places. In some circumstances the existence of such freedom of choice for the using enterprises may be essential for efficient management of the economy.

When such freedom of choice is needed, but a centralised method of allotment is arbitrarily imposed instead (the productive forces not yet

page 59

ready for such a method), the consequence may be a veritable squandering of resources: products arriving too soon or too late at the using enterprises (which have no way of either

refusing to accept products sent them by a central administration or hastening the despatch of goods from the centre), mistakes in specifications, and so on.

It may be noted that the banking system can be used as agent for supervising the execution of a plan of allotment drawn up centrally but carried out in a flexible manner, even when relatively scarce products are being allotted. This is a method which can be very much superior, through its very flexibility, to a purely administrative method. It does in fact make possible, without recourse to price-manipulations (which in some cases would be ineffective), the adjustment of total demand to total supply.

To illustrate the foregoing, let me take as an example a country where, over a certain period, the demand for fertiliser has shown a spontaneous tendency to exceed supply (the latter being restricted by capacities for production and import). The demand could be restricted by several different methods:

(1) By decisions taken on the plane of the commodity categories; for example, by raising the prices at which the fertilisers are sold to the using units.

From a wrongly abstract view of things, this would "always" be the economically most effective method, for it would restrict the use of fertilisers to those users alone who were capable of getting the maximum increase of production from them (i.e., using profitably even very expensive fertilisers). Actually, this is not necessarily so, for the users are far from always capable of *forecasting* in a serious way the increase in yield and receipts they can obtain through using a given quantity of fertiliser. Under these conditions, a rise in the price of fertilisers will restrict the demand from units managed by the most cautious or most timid administrators, while having little effect on the demand from those who do not worry much about profitability. A more efficient use of fertilisers will thus not have been achieved, and, moreover, it may prove necessary, in order to restrict demand sufficiently, to raise prices to levels having no proportion any longer to production-costs. This may happen at the beginning of a period of accelerated development, when a substantial section of the "cadres" are still lacking in any very precise notion of economic calculation and the conditions in which it can be undertaken.

(2) By adopting a centralised allotment procedure which is non-administrative, i.e., which is technico-economic in character. In this case, for example, each production-unit will be assigned (on the basis of a more or less well-founded estimate, economic and technical, such as could be made by a regional management centre or an agrotechnical service which had studied the increases in yield obtained during a recent period in different production-units as a result of their use of fertiliser) credits specially "appropriated" to the purchase of fertilisers, and this under conditions such that the total amount of these credits is equal to the total value of the

page 60

fertilisers distributed, at the prices at which they are supplied to the using enterprises.

(3) By adopting an administrative method of allotment. In this case, for example, each production-unit will be required to present a demand in advance to an administrative authority. The latter, after examining these demands, will assign a given amount of fertiliser to each production-unit. This procedure can be effective only if the administration in charge of allotment possesses sufficient technical knowledge to ensure the optimum allotment and if it is in a position to respond rapidly to the demands it receives.

If, however, this is not the case, in other words, if allotment is not ensured by a competent technical organ but by a bureaucratic apparatus, it is likely that administrative semi-paralysis

will result, with a multiplicity of authorities bearing responsibility for making decisions. Thus, in Cuba in 1963, demands for fertiliser had to go through seven or eight administrative authorities, and the latter might take eleven months to respond to the demands they received. Naturally, replies made in this way, after consultation with various authorities which were often remote from the using units, might, when they came, no longer bear any relation to the objective needs of these units.

In the various instances in which the allotment of products no longer depends on the users' choice, whether because of "shortage" or for reasons connected with the striving for optimum social allotment of certain products,^[14] we see, instead of the allotment of resources by way of the market (a method of allotment which may survive, to a certain extent, even inside the socialist sector, within the limits laid down by the plan, so that this market is no longer a "free" market but one which is under social control), either a technico-economic method of allotment or else an administrative one.

In either of these two instances, the role played by the commodity categories is blunted, together with that of the relative autonomy of the production-units. The link between these two phenomena is thus once again confirmed, while the conditions for their departure from history are made apparent, namely: the appearance of the possibility and necessity of effective social forecasting calculations, that is, of calculations which can cover not merely the total *quantities* of the various products to be supplied during a certain period, but also the *qualities* that these products must possess and the *place* and *time* for their best utilisation.

However, as already said, the cases I have mentioned form only one of the categories of phenomena that presage the disappearance of economic subjects endowed with a certain degree of autonomy, and so also the disappearance of commodity categories as these still manifest themselves within the state sector of the socialist economy.

b) *Centralised economic management of certain branches of production.*

The possibility of effective economic calculation on a relatively high social plane, as contrasted with economic calculation on the plane of a production-unit, is now appearing in certain branches of the economy. This

page 61

is true of the branches that supply products that are homogeneous or that can be brought under precise specification, especially where these products come *from production-units which are organically interlinked*. In such cases the various production-units can be subjected to management which is largely or even wholly centralised and effected by electronic means. This centralised management, carried out on a technico-economic (and so non-administrative) basis forms one of the ways in which the commodity categories wither away.

The most substantial examples of an evolution of this kind are provided by the centralised management of a network of interconnected electric power stations, like that which operates in the European part of the Soviet Union, or that which has been organised between the electric power stations of Poland, the German Democratic Republic, Czechoslovakia and Hungary. In these two cases, a central electronic machine operates in connexion with a dispatching mechanism which regulates the activity of the various stations. At any given moment the activity of each production-unit is thus *directly* determined by socially recognised needs, within the framework of an optimum economic management of the network. Under present-day conditions, this does not mean that on the plane of the mode of "recognition" of social needs the commodity categories have already disappeared one hundred per cent.

In fact, the *prices* at which the power is sold to consumers, in particular to factories using electricity, may be one of the factors determining the demand for power. However, as these prices are themselves fixed socially, they may, in principle, be such that demand is determined, as a whole and in its structure, by socially recognised needs. Actually, the price mechanism and the behaviour of the economic agents and the consumers are not yet so thoroughly under control that the structure of demand is wholly identical with the structure of what would be socially recognised needs. It may be supposed that when a social authority is really in a position to decide with precision the dimensions of the various social needs, it will no longer be necessary to employ the price-mechanism in order to ensure that these needs are correctly satisfied.

Though the case of the centralised management of a group of electric power stations forms the most substantial example of the disappearance of the relative autonomy of the separate technical production-units, it is not the only one. The centralised economic management of a group of oil refineries or of a park of railway-trucks and locomotives, on the scale of an entire country, provide other instances of management of a large number of technical units (refineries, railway-stations, marshalling-yards, etc.) which have no economic autonomy (precisely because this would prevent efficient management) or which have lost part of this autonomy and so do not take part, from this point of view, in commodity exchange. These units cease, in fact, to participate in commodity exchange as soon as the products they need are *delivered* to them as a result of calculations made centrally (even if, before a delivery is finally decided on, the production-units are consulted

page 62

by the central authority on the opportuneness of this delivery) and the products they *supply* are also governed by allotment instructions. In such cases there is no longer buying and selling but, instead, circulation of products and currency tokens.^[15]

Of course, when products are supplied free of charge by a central authority to production-units dependent upon it, but continue to be "purchased" by this central authority, it is only the level at which commodity exchange is taking place that has been shifted.

Such a change of level may, however, be of considerable importance, and this for several reasons, of which I will mention here only those that seem to me the major ones:

(1) The change in the level at which commodity exchange takes place can result in a reduction, sometimes a drastic one, in the number of participants in these exchanges within the state sector of the socialist economy. When the *quantitative* change reaches a certain scale, it has a *qualitative* significance: it means, in fact, a considerable reduction in the social importance of the commodity categories. In particular, *when in a given branch of activity only one economic subject is left*, this can mean that economic calculation is henceforth carried on only on the plane of that branch, and no longer below that plane.

(2) A change like this in the level of participation in commodity exchange can make possible an extremely exact *ex post* calculation of the quantities of labour *actually* expended per production-unit. This calculation is then, indeed, much easier than that which can be carried out when there are a considerable number of economic subjects in being, all supplying the same sort of products, but themselves supplied under conditions which are various and hard to ascertain.

(3) A change of level like this also makes it possible to cause the labour time actually expended to coincide more and more closely with what is *socially necessary* for the satisfaction of social needs.

When, in fact, a given product, or category of products, is supplied by *a single economic subject* and, on the other hand, the objective conditions are present for this economic subject really to *dominate* the activity of the technical units which are subordinated to it, this economic subject can make *optimum* use of the production-capacity of the subordinate technical units, to such a degree that it can be said that the labour *actually expended* is virtually equal to that which is *socially necessary*.

This presupposes, of course, a development of the productive forces such that the domination of a single economic subject over the various technical units subordinate to it is a *real* and not merely an *apparent* domination, like that, for example, we see in the case of a bureaucratic administrative "domination". Actually, this latter type of "domination", just because it is not founded upon genuine economic integration, leads to the taking of arbitrary decisions which are the result of unavoidable ignorance of the concrete conditions in which the various subordinate units operate and the requirements that follow from these.

page 63

Any attempt by a purely administrative authority to "dominate" the activity of production-units which are not really and organically inter-connected can result only in misuse of the productive forces and therefore in squandering the labour-time required in order to obtain a certain volume of production. In such cases the labour-time actually expended is greater than what is socially-necessary, in consequence of bad organisation, that is, of lack of correspondence between juridical relations and real production relations.

(4) Finally, and most important, the appearance of a single economic subject at the level of a certain number of important branches of production makes possible *social forecasting calculation* which is much more exact than what can be accomplished when a multitude of production-units exist. Through a development like this we can see the objective conditions coming about for a kind of planning which is no longer restricted to giving social *direction* to the productive forces (which was already a decisive change as compared with a market economy, since it represented a leap from the realm of necessity into that of freedom, as Engels puts it), but which amounts, to an ever-increasing extent, to total social *control* of the productive forces.

Care must be taken, though, and this needs repeating, that the appearance of a single economic subject at the level of a branch of the national economy is based upon the realisation of quite definite *objective* conditions (to which I shall come back again when I analyse the concept of "economic subject"). If one tried to anticipate these objective conditions by setting up a juridical subject which does not correspond to an economic subject, then, far from causing the conditions to arise for control of the productive forces, the risk would be run of losing even the means of giving them direction. In this case, indeed, one would be trying to establish the level at which economic decisions are taken elsewhere than where there is *actual knowledge* both of the conditions under which these decisions can be applied and of the concrete consequences which can result from these decisions. Thus, instead of establishing an organisation capable of acting consciously, there would have been established one doomed to act, to some extent at least, blindly.

Having said this, it is obvious (as I have already pointed out in another context) that some juridical steps may, provided they are accompanied, or followed, by *adequate technical changes*, create conditions which can hasten, in a socially satisfactory way, a reduction in the number of economic subjects, and thus also in the sphere of operation of the commodity categories.

As a general rule, however, the taking of juridical steps, which can speed up a reduction in

the number of economic subjects does *not* mean the establishment of a single state enterprise at the level of an entire branch of production *before the objective conditions for this are present*. In Cuba, for example, in the Ministry of Industries, the setting-up of "Consolidados", each managing an entire branch of industry, has given only indifferent

page 64

results in every case where the conditions were not present for a large number of units to be managed from a single decision-making centre of an economic kind.

Similarly, the powers of *intervention* in the management of production units which were accorded at one time to the *Soviet trusts* or to the Chief Administrations of the Ministries (Glavki) very often had harmful consequences for good economic management, at least whenever the *objective conditions* were not ripe for this centralised management or this central intervention in the current management of the enterprises as a real possibility and an economic necessity, and not a mere administrative measure.^[16]

A method which, in some cases, may lead to a progressive reduction in the number of economic subjects is the establishment, at the level of each branch (on the national or the regional scale, depending on the particular case) of a central office for selling the products of this branch.^[17]

At an initial stage, an organ of this kind may restrict itself to centralising all orders for the products of the given branch and allotting the fulfilment of these orders among different production-units, taking into account their production-capacity, their labour-costs, their costs of production, their location, and so on. In order to carry out a task like this in a socially useful way, that is, non-bureaucratically, such a central office must not be set up until conditions are present which enable this central office *really to know* the characteristics of the different production-units to which it sends orders, and the circumstances in which these orders will be fulfilled. In practice, this presupposes either that there are only a small number of comparatively homogeneous units^[18] or that there are centralised means of electronic recording and calculation, that is to say, generally speaking, a level of development of the productive forces which is already high.

When this is not so, the premature introduction of a form of integration, even of the sort just mentioned, instead of playing a useful economic role, is merely administrative in significance and, far from contributing to the *concentration of responsibilities* and decisions, causes them to be dissipated in a bureaucratic administration. This may render economic calculations very difficult or even impossible, as happens, for example, when the financial autonomy of the production-units is arbitrarily abolished or restricted.

On the other hand, however, when central sales offices have been set up on sound technical foundations, they may become, from a certain moment onward, that is, on the basis of further progress of the productive forces, centres for the supply of raw materials or intermediate products to the units whose activity they co-ordinate. They may then become progressively transformed into *management centres*.

The production-units they manage may eventually cease to be economic subjects and become nothing more than "technical departments" of an integrated complex economic group. If this happens, we have before us a type of *functional centralisation* which is profoundly different from *bureaucratic centralisation*. This functional centralisation may, however, leave, so

page 65

far as certain decisions are concerned, a relatively wide sphere of initiative to the various "working groups" or "technical departments" that make up this integrated complex economic group. This too is a problem to which I shall come back.

This, then, appears to be one of the lines along which the disappearance of the commodity categories from within the state sector of the socialist economy may be prepared. This line is analogous to "horizontal concentration" in the capitalist economy.^[19]

Another line along which the progressive disappearance of the commodity categories can take place is that of vertical integration, also sometimes called "vertical concentration".

c) *Vertical integration of economic activities.*

The socialisation of the productive forces develops in a complex way. It implies that every branch of activity depends to an ever-increasing extent on all the others for its functioning and that, reciprocally, the products of every branch are destined (directly and indirectly) to an ever-increasing extent for all the other branches, or for the national or international collectivity. Each of the branches thus finds itself involved in a more and more extensive and diversified "web" of relations with other branches.

Underlying a course of development like this is a constant intensification of the division of labour. To this corresponds, more often than not, an increasingly thorough *specialisation* of each production-unit.

This specialisation, however, may entail, depending on its degree and form, two apparently contradictory types of consequence.

One of these may be that an economic subject, or even a single physical production-unit (say, a factory), eventually comes to meet the needs of a large collectivity of consumers, whether this is a matter of ultimate consumption or of productive consumption (and it is above all in the production of equipment that specialisation can be carried so far that, even on the world scale, a *single production-unit* is able to supply all of a certain type of equipment: this is so, for example, in the field of the production of certain electronic aggregates, certain rotary printing-presses, locomotives, aeroplanes, etc.). In this case, a single economic subject thus supplies products to a large number of consumers.

Another consequence of specialisation can be, on the contrary, that a physical production-unit specialises to the point that it is meeting the needs of *a single user only*, that is, of one other physical production-unit.^[20] When this happens, we have *integration of the activity of the first unit into the activity of the second*. Thenceforth it will be the latter that will completely decide the volume and characteristics of the former's production, so that it tends no longer to be an autonomous economic subject. It becomes increasingly a *technical department* of an integrated *group* which transcends it. At a certain moment, when the integrated group belongs to a single owner, the products coming from the units "up-stream" no longer have to be sold, they flow down towards the using department. The sphere of operation of the commodity categories is thus reduced.

page 66

The formula of the Soviet "combine" provides an example of a process of vertical integration like this.

In another form, the *Sovnarkhozy* tend towards flexible methods of integration, when they achieve *organic co-operation* between complementary production-units under their authority.

Vertical integration, as is well known, takes place on a large scale in capitalist economy. It goes on in all branches of industry (motor-cars, steel-works integrated with mining, chemicals, and so on). This process is now spreading to agriculture, and is tending to transform in a far-reaching way the relations between agriculture and industry.

Inside capitalist agriculture examples become more and more plentiful of stock-raising units (especially in poultry-farming) which, "up-stream", integrate the breeding of the animals or birds, the production of feeding-stuffs for them and the industrial processing of these feeding-stuffs, and, "down-stream", integrate the slaughterhouses and the treatment of by-products (or else are themselves integrated in these activities). These phenomena of integration have technical foundations which determine their forms and their limits. Thus, for the raising of poultry it is the slaughterhouse that, at the moment, is the "production-unit" which integrates the other activities and to which they are subordinate. It is this unit, too, which by its size determines that of the *integrated group*.

This "technical link" may itself be dominated by a more decisive "economic link". This happens when a group of slaughterhouses (and of the stockraising units which they dominate) is itself dependent on a commercial chain which determines to some extent the volume of consumption and production, by practising a certain policy as regards selling-prices to consumers and buying-prices to producers. The geographical placing of the various "technical links" will then be determined by a particular economic strategy, and will lead to the structuring of the space round about on a technico-economic basis, the distances between each "technical link" and its suppliers being more or less programmed.

Phenomena comparable to this appear also in the canning of milk, fruit, vegetables, and so on. In these activities, the tinning or bottling works tends to structure and dominate a large part of the space surrounding it.

The concrete forms taken by such phenomena of capitalist integration are very diverse. In some cases the units producing "raw materials" belong to the factory where these are processed, which in turn may belong to a chain of distributors. In other cases (at present most frequent), the supply of "raw materials" continues to be ensured by agricultural entrepreneurs who remain juridically independent. Even in this case, though, the *actual management* of the agricultural units is progressively *integrated* in that of the industrial unit. It is the latter that decides in advance the quantity of products that it is to receive, their quality, and the dates and intervals for delivery, and it is also the industrial unit that, very often, delivers to its suppliers the raw materials that they are to process, and which, in general,

page 67

provides the *technical leadership* of the agricultural units (or at least of the sections of these units which work for it).

There is obviously need to investigate whether the separation between the *ownership* of the agricultural enterprises and the *ownership* of the factory for which they work (a separation which means that what we have here is an *integration of the contractual type*) is a reflexion, on the basis of private property, of certain technical requirements (represented, for instance, by the requirements of crop-rotation), or whether it merely represents a method used by industrial capital to relieve itself of the risks involved in agriculture and to increase its profits by keeping down the prices paid to agricultural enterprises which are made more and more dependent on it.

It is also to be noted that in many tropical countries the sugar refineries form an *organic grouping* with the cane-fields, whether the refineries are the owners of all or part of the fields or whether they are connected with the owners of the cane-fields by crop-contracts. When such

organic groups exist, this makes possible a detailed overall "programming" of the production operations.^[21]

It also happens, of course (and the ultimate result is technically the same) that a group of agricultural entrepreneurs set up, in the form of a co-operative, an industrial unit for processing their products. In this case we have vertical integration proceeding from "up-stream".

Although, for the time being, vertical integration (organically linking agriculture and industry) has up to now not gone very far in the socialist countries (where, however, the formula of the "agro-industrial combine" has been studied and even tried out in a number of instances),^[22] this phenomenon of integration seems to correspond to the requirements of the development of modern productive forces and therefore must also constitute one of the lines along which an increasing number of economic subjects will wither away, with a correlative withering-away of the sphere of operation of the commodity categories.

On the other hand, as I have already mentioned, the *Sovnarkhozy* are endeavouring to promote *organic co-operation* among some of the *industrial* units operating under their authority. Co-operation of this sort may also lead to some form of vertical integration.

Similarly, in the USSR (and in other socialist countries), the horizontal or vertical integration of economic activities can develop on the basis of *agreements made directly between different industrial enterprises*. It may even happen that in some cases such agreements can engender a new juridical personality (this is what has occurred with the so-called "Soviet firm").^[23] Such a juridical personality usually corresponds to a new economic subject which tends to re-structure, technically and economically, the activities of the enterprises which have formed it.

Altogether, whatever may be the methods by which the integration of economic activities takes place, this corresponds to a group of economic and technical changes which tend to reduce progressively the number of eco-

page 68

omic subjects, and, in correlation with this, the sphere of operation of the commodity categories.

Presented in schematic fashion, these changes take place essentially in three forms, which I shall call:

(1) *Unilinear integration*, which means the entry of a production-unit into a "series" within which it loses all economic autonomy. The activity of this unit is then wholly dictated by the needs of the "head" unit (that is, the unit which realises or disposes of the products of the integrated unit).

(2) *Multilinear integration*, which means the affiliation of several production-units to another economic unit. The latter may be responsible either for processing operations, or transport, or distribution, and may be the only one in contact with the "rest" of the economy, either for disposing of the products of the integrated group or else for both disposing of the products and for supplying the integrated group with the products it needs.

This can lead to the establishment of conditions of *management* of the affiliated units based on the "head" unit (or "terminal" unit), whether these affiliated units all supply the same kind of products or whether they each supply complementary products (as happens, for example, with motor-car factories which receive certain items from "suppliers" who are attached to them exclusively).

(3) *Multi-integration*. This means the regular affiliation of a number of production-units to a number of user-units which absorb the whole of their production. This can occur in the case of agricultural units producing a variety of crops and disposing of each category of produce to a different processor, each processor controlling that section of the productive activity of these producers which concerns it.^[24]

Rather than talk of "multi-integration", it would perhaps be preferable to use the expression "ramified integration" or "integration by networks", so as to bring out the fact that the integration in question takes place *in several directions* and along lines which may *intersect* at a variety of levels. It is possible that this type of integration "by networks" may be the one that best corresponds, for the moment, to the nature of modern productive forces in certain sectors of the economy.

The sector in which this type of integration seems, at the moment, destined to take an especially important place is that of the chemical industry. In this industry the different production-units necessarily have to maintain close and *reciprocal* inter-relations. To convince oneself of this it is enough to see the dimensions assumed, under capitalism, by the big companies that produce chemicals. There is the well-known example of the Du Pont de Nemours company, in the U.S.A. The turnover of this company is of the order of \$2,000,000,000 and it employs about 150,000 people.^[25]

In Germany, the three big chemical firms (Bayer, Badische Anilin, Hoechst) each have a turnover of around \$600-700,000,000. They each employ about 50,000 people and invest nearly \$100,000,000 every year.

page 69

In France this form of concentration of the chemical industry is much less advanced, but nevertheless there are two powerful chemical firms: Rhône-Poulenc, with a turnover of more than \$200,000,000 and "Produits Chimiques Pechiney-Saint-Gobain", which comes next, with 17 factories and two research centres, the whole employing 11,500 people and supplying, in certain fields (chlorine, sulphuric acid, superphosphates) two-fifths or more of France's total production -- even more than half in some branches (e.g., polyvinyl chloride).

The offices and affiliates of big companies of this kind keep up regular relations among themselves and maintain *joint services* for much of their buying and selling.

From the standpoint both of the *current working* of the production units and of their *use of research services* and their investment policy, this amounts to making a huge productive group into a *single economic subject*. Some, of course, of the production-units affiliated to a group like this are less integrated with it than others, and consequently retain a distinct personality, economic and juridical. This is the case, for instance, with the "subsidiary companies" of a certain number of large trusts in the capitalist chemical industry. To some extent the retention of these separate juridical personalities reflects compromises reached between financial groups, the sharing of risks and the seeking of certain advantages in respect of taxation.

In a socialist economy, the reasons for survival of the distinct juridical personality of the production-units integrated in a technico-productive group are obviously less numerous than in a capitalist economy, but it may happen, nevertheless, that such reasons are present, and integration will then be only partial, leaving a certain number of economic subjects each "their own personality", though with reduced functions.

At a further stage of integration, within the framework of the socialist economy, a growing proportion of the production-units are bound to lose their character as *economic subjects*, while

retaining a certain economic or social *personality* within the group. This economic or social personality may be marked by the capacity of the production-units to take certain subordinate economic decisions (usually subject to *ratification* by the responsible organs of the overall management of the *integrated complex*).

The various forms of integration, when these develop in a socialist economy, can thus give rise to a relatively small number of "large productive economic complexes" of international, national, regional or local significance, the different sections of which may be governed by *internal technical planning*. This increasingly cuts down the number of units which are in irregular or occasional contact with each other and makes increasingly easy the effecting of *a priori* adjustments of production activities. This raises the plan from the level of *direction* of the productive forces (dealt with as *branches of activity* regarded as *statistical or administrative groups* sub-divided into a certain number of *economic subjects*) to the level of *domination* of the productive forces, dealt with as *large economic complexes* of a *functional* nature.

page 70

These are the objective bases of the far-reaching changes that take place in production-relations, i.e., in the relations established among the producers.

The increasing *integration* of productive activities carries further the *interdependence* of these activities which is already developing fast under capitalism, and which established the objective basis for the first stage of planning. Within the framework of socialism, this integration goes forward in the state sector and in the co-operative sector, while, little by little, in a variety of ways, whatever of the private sector has managed to survive for a time becomes incorporated in these other sectors.

The juridical "forms" through which the integration of economic activities occurs may be extremely various. It may happen through the forms already referred to, or through others, such as agreements between co-operatives, agreements between co-operatives and state enterprises, mergers between state enterprises, etc. I do not propose to examine these juridical forms in themselves but merely to consider the influence these changes have on planning.

In short, it can be said that, as a result of these changes, when they have taken place on a sufficient scale, economic planning can really become, on the plane of production, *the determining of the current needs of individual consumers, communities and "productive economic complexes"*, and *the assignment of precise tasks corresponding to these needs* to each of the production complexes.

This assignment of definite tasks cannot, of course, be fully effective unless it is founded on knowledge available centrally of the capacities of these complexes and the conditions under which they work.

When this is present, the irregularity of the relationship between production and consumption (which necessitates unforeseeable adjustments) can disappear completely, and the problem that formerly confronted each economic subject, of finding its "suppliers" or those who would absorb its products, also disappears.

Socialisation of the means of production becomes *complete* when the number of economic subjects is sufficiently reduced for their activity and development to be really subject to *social control*, that is, when society can really use the productive forces as a whole in a conscious way, in order to satisfy needs of which it is aware.

Automation of production and the production and introduction of electronic tools of

management provide the material foundation which makes it possible to define, with ever-greater precision and exactness, the *means* that have to be set to work in order to satisfy social needs, but the precise determining of these needs themselves, in so far as they arise outside the sphere of production, implies the attainment of social and institutional conditions that are at present only in process of formation and which it would therefore be premature to try to define in detail as of now.

It is at the moment when society has achieved *full control* of its productive forces, and can completely determine its needs, that the commodity

page 71

categories will lose all utility: this can be conceived only as the end-result of an historical process consciously conducted towards this culmination.

In the foregoing passages, the terms "economic subjects" and "juridical subjects" have been used. The context itself in which they were used has explained what they mean adequately for the needs of my analysis. Now, however, I must examine these expressions, in order to try and define them more precisely, something that could not be done at an earlier stage.

5 *Economic subject and juridical subject*

If we accept the analyses made so far, we have to conclude that, at the present level of development of the productive forces, we are still very far from being in a situation in which "the central government or some other social-economic centre" (as Stalin puts it in *Economic Problems of Socialism in the USSR*, henceforth referred to as *E.P.*, p. 56 [Eng. edn., p. 75]) "might control the whole product of social production in the interests of society."

According to the foregoing analyses, this is so not only because, as is widely recognised, different forms of property exist (state, collective-farms, individual holdings, and so on), but because of the *uneven development* of the productive forces in the different centres of production, the *heterogeneity of the conditions of production* existing in each of these centres, the *still only slight degree of integration* of these centres, the imperfect conditions for the transmission of information from the periphery to the central offices, the complex problems of information, storage, and so on. It is all these facts that explain why it is that, *even within a single state sector*, efficient and therefore socially useful intervention in all decisions by a single "social-economic centre" is still inconceivable.

Under these conditions we can understand that, even within the state sector, juridical subjects have to be formed with power to take a certain number of decisions themselves.

What makes necessary and justified the setting-up of juridical subjects of this kind is that it amounts, in reality, to *acknowledgment of an economic subject*, i.e., *a centre of economic decision-making such that no other authority would be capable of taking decisions that would be socially more efficient than those taken by this economic subject*.

On the other hand, if the juridical subject (endowed with certain powers) is not really an economic subject, that is, does not correspond to an authority at whose level effective economic decisions can be taken, it is, as a rule, not socially justified to set it up. When this is the case, the intervention of such a juridical subject will more often than not have the effect of upsetting the process of production, distribution and expanded reproduction. When economic subjects and juridical subjects fail to coincide, the objectives sought by the economic plan or by the economic authorities in general either cannot be achieved or else can be achieved only under conditions of relative inefficiency, that is, at a relatively high social cost and with delays.

The chief problems that arise here are as follows:

page 72

a) The problem of determining what the real economic subjects are, so as to ensure that economic subjects and juridical subjects *correspond*.

b) The perfecting of juridical relationships between the economico- juridical subjects so that they match the requirements of the actual production relationships between these subjects and those of planned development of the economy as a whole.

c) The determining of the nature of the decisions that can and must be taken by the various economico-juridical subjects or the different social authorities.

I shall now briefly examine some aspects of these problems.

a) *Determining the economic subjects.*

Only concrete analysis can determine what the real economic subjects are. In the course of such an analysis, the concepts themselves can be made more precise, under the dual influence of theoretical study and of testing in the field of social practice.

Analysis must aim, first and foremost, at discovering *the level* at which current economic decisions can be taken most efficiently from the standpoint of the national economy.

At a very low level of development of the social character of the productive forces, the economic subject in the sphere of production may be a single worker -- an individual peasant, craftsman, etc.

At a rather more advanced level of development, corresponding to the stage of simple co-operation and the earliest manifestations of the technical division of labour, this link will be determined by the activity of a "working group" which is still not very numerous.

Finally, at a higher level of development, this link may be determined by the activity of a more or less extensive grouping of workers. In the modern economy, it can sometimes embrace thousands or even tens of thousands of workers, grouped in a single economic complex. As a rule, a grouping of enormous size like this is marked by a well-defined *internal structure*.

In the first two cases it is fairly easy to determine the level of the economic subject. It is a different matter, however, in the third case, especially when there are present:

(1) State ownership of a complex set of means of production operated by *many groups of workers* (for then it is necessary to determine what the *combinations of groups* are that correspond to different economic subjects;

(2) A high degree of internal "structuring" of some of these groups, so that sections may appear to be distinct economic subjects;

(3) A high degree of interdependence in the activity of these groups.

This is indeed where the problem arises: "where are the real economic subjects located?" It is this complex case that I will examine.^[26]

If we proceed from the foregoing analysis we shall say that the level at which the economic subject is located varies according to the degree of *development* of the productive forces, the *character* of the productive forces set to work, in the different sectors or branches of the economy, and the

page 73

nature of the decisions that have to be taken, since it is the criterion of the possible social efficiency of decisions that will also make it possible to determine what the various real economic subjects are. If we take once again the example of electric power production, we see that this can have a highly developed structure, i.e., can depend on a number of power stations each of which has its own "physical personality", but we also see that centralised management of all the electric power stations of a country, even a large one, can be ensured when these stations are linked together and a system of rapid transmission of information, between the various stations and the centre, has been established, together with a corresponding system of transmission of orders from the centre to the stations.

In a case like this, the *economic subject*, i.e., the "production-complex" at the level of which the most efficient economic decisions can be taken, is the *branch as a whole* which produces and distributes electric power. The separate power-stations are, in relation to this economic subject, merely *technical departments* at the level of which no truly efficient economic decision can be taken, since it is not there but at the centre that it can be decided, on the basis of programming and calculations carried out by electronic instruments, which works should be set in operation at any given moment and which should have their functioning slowed down or suspended.

Similarly, we have seen that the oil-refining industry can also, though to a lesser extent, be managed centrally (on the scale of a large region or a small country). Here again, the most efficient management of the refineries as a whole can be ensured by a centre which takes account of the needs that have to be met in different parts of the country and determines, taking the variable factors into account, the points to which the crude oil should be sent for refining and those to which the refined oil should be distributed. In this case, too, the economic subject may coincide with a given branch of industry.

On the other hand, in activities lacking the characteristics mentioned, it is necessary to decide concretely the level at which the real economic subjects are, that is, *those that are really in a position to use efficiently the given means of production*.

Depending on circumstances, this level will correspond either to an industrial establishment (i.e., a works) or to a group of works which themselves are either *specialised* or else *interlinked in a relatively rigid and permanent way* by the supplies they furnish each other with. An especially important case is that where there is *technical integration* of different production units and, consequently, the appearance, at the level of the "integrated complex" (which, as we have seen, may take the form of a combine, for instance), of a *specific economic subject*.

In the case of agricultural activities, the level at which the real economic subject is located corresponds, in the present state of the productive forces, to a working group which is usually much less extensive than in industry, owing especially to the large number of variables that have to be reckoned

page 74

with in carrying on effective agricultural production, the range of fluctuations to which these

variables are subject, and, last but not least, the still preponderant role played by direct *individual* human action (including at the level of observation) in agricultural production.

The foregoing remarks are essentially intended to *illustrate* the way that the problem presents itself -- the problem of deciding the economic subjects on which, at a certain level of development of the productive forces and with certain characteristics of the latter, it is necessary to confer a juridical personality so as to enable these subjects to utilise with maximum efficiency the means of production at their disposal.

What we have to do in fact, is *to work out a theory of the economic subject*. So far, we are a long way from having worked out such a theory, and the decisions taken to endow certain working groups with juridical personality include a large element of empiricism.

In default of a fully-worked-out theory of the economic subject in the production sphere of a socialist economy, it is possible to say, first, that the economic subject constitutes *the place where multiple and irregular relationships with a variety of units of production, of distribution, and (or) of consumption are brought together*. It is the *multiplicity* and *irregularity* of these relations that calls for *economic choices* to be made, and which makes of a group of workers an economic subject.

In other words, the economic subject forms one of the fundamental links in a division of labour which is not yet entirely organic. That is why it is at this level that current *economic decisions* have to be made and the corresponding *obligations* undertaken. That is why it is necessary to endow each economic subject with its own juridical personality and financial resources, so as to enable it to fit itself flexibly (which does not mean independently of the economic plan) into the process of the social division of labour.

The various shortcomings of a system which *mutilates* the economic subject of the functions which alone enable it to undertake in a coherent way the tasks of production and of expanded reproduction in which it is involved have been amply revealed by all the negative experiences resulting from administrative management of the economy.

Administrative management leads to choices being made by an authority different from the economic subject, an authority which lacks the information possessed by the economic subject and which is incapable of assuming effectively the responsibilities incumbent on the latter. It leads to the bureaucratisation of the economy, to an increasingly falsified view of reality. It brings subjective factors into the drawing up of plans, to an extent that increases with the distance between the economic subjects and the level at which choices are made, and this puts more and more obstacles in the way of the formulation of a coherent overall economic policy, let alone its execution.

In the light of these remarks, it is clear that the attribution of certain juridical powers to an economic subject, powers which may make a juridical subject of it, and the nature of these powers, must depend:

page 75

(1) On the nature of the decisions to be taken, and, in particular, on the more or less extensive social area they affect.

(2) On the number of technical and economic variables that have to be taken into consideration in order to secure a satisfactory economic solution, from the standpoint of the national economy. The number of these variables must be considered from at least two aspects:

On the one hand, the economic complex to which juridical personality is assigned must not be so extensive that the number of variables or the amount of information that have to be taken into account at the level of this complex are such that, in practice, it is not possible to take a decision based on a correct and adequate study of these variables or this information. It is, in particular, a consideration of this order that may make it necessary to delimit an agricultural economic unit as an economic and juridical subject at a level of size that may be regarded as smaller than the optimum from the standpoint of the use of certain material means of production. Hence, for example, the situation which existed at one time in the USSR, where the comparatively small collective farms had superimposed upon them the Machine and Tractor Stations each of which served several of these farms.

On the other hand the economic complex to which powers of decision making are assigned must be large enough for it to have effectively available a sufficient amount of information and decision-making power,^[27] because only on this condition can it manage efficiently, from the standpoint of the national economy, the productive forces that fall within its sphere of action.

In this respect it can be said, for example, that to attribute a distinct decision-making power to each electric power station would create a situation in which the juridical subject would not possess either the information or the power needed for it to use the productive forces in the most efficient way, on the national scale.

Nevertheless, this aspect of the matter can only be taken into consideration if the fact of transferring the decision-making power to a higher level does not give rise to a juridical subject which is incapable of *controlling in practice* all the factors on which it has to rely in taking satisfactory decisions and in *getting them applied* in an effective way. *What, in fact, signalises the existence of an economic subject is precisely its capacity to control a group of productive forces.*

These various observations are already bringing us to perceive the need to accept, in certain cases, the existence of *a hierarchy of economico-juridical subjects, each endowed with distinct powers, depending on the nature of the decisions to be taken.*

Thus, for example, the centralised management of a group of electric power stations can deal only with the problems of supplying these stations and with the scale of their current operations. Decisions affecting investment, however, have to be made at another, higher level, where it is possible to take account of the different requirements of general economic and social

page 76

development; while, contrariwise, decisions regarding the *internal organisation of labour*, recruitment, maintenance of buildings, and the like, have to be made at the level of each power station taken individually. These last-mentioned decisions will themselves, of course, have to fit into the overall framework of directives and regulations. This therefore leaves surviving at the level of each power station either an "economic subject" with very limited functions or else a working group with a certain "social personality".

1) *Internal structuring of economic subjects and working groups.*

The concepts of the "internal structuring" of an economic subject and of the "working group possessing a social personality" also need to be looked at more carefully. To attempt to do this here would divert me from the main purpose of the present study. I will therefore confine myself to mentioning some of the problems to which these concepts give rise.

The problem of "internal structuring" is particularly that of the existence, inside a given

economic subject, of different working *groups*.

Some of these groups have a "permanent" technical basis (they retain their social personality so long as the technical process is not changed), as in the case of the different workshops within a factory.

Other working groups have a temporary technical basis, as in the case of teams entrusted with the carrying out of a task which is occasional, momentary or seasonal, and which break up as soon as this task has been accomplished.

The social personality of a group can assert itself only if the task it has to perform lasts for at least a certain minimum period of time. In certain circumstances, this social personality may expand into an "economic personality". This happens when this social personality constitutes *a link in economic and social initiative and control* which is necessary if there is to be efficient division of labour. The fact that a working group has an "economic personality" does not automatically make of it an "economic subject", and this is so, in particular, if the group is not in a situation enabling it to exercise genuine control over certain productive forces, and if its operation merely requires that it carry out *subordinate or secondary choices*, such as those called for in order to realise certain objectives *under conditions determined by a higher authority*.

Without spending a lot of time on this question, I must nevertheless emphasise that the problem of *working groups*, their powers, their capacity for initiative and the nature of the economic and social supervision that can and must be exercised over them for the sake of effective planning, is a problem that is a great deal more complex than may appear at first sight.

In Soviet agriculture, for instance, this question is bound up with that of the *internal structuring of the collective farms*, and, in particular, with the role played by the *work-brigade* and its *optimum size* (a size which must obviously vary in accordance with *the nature of the means of production at the brigade's disposal* and the general degree of development of the productive forces).

page 77

The technical basis of the work brigade (which, in certain cases, is organised around a group of tractors) constitutes one of the elements which influence very markedly the actual size of such a working group. But the question also arises of the conditions under which each brigade may have a certain *permanence*, by being (as suggested by D. Muratov) *responsible for a whole year* for certain tracts of land.^[28] Finally, the fundamental problem is, it would seem, that of the conditions for *precise responsibility and collective initiative* (on the basis of a certain technique); this problem is located at the level of the *relations between the members of the group* and the relations between the group and other groups, that is, at the level of *concrete production-relations*.

Similar problems obviously arise within the state farms as well. The latter may be divided into "workshops" and "sections" which possess a certain permanence and the "optimum" size of which also has to be determined.

Here again we find a problem of very great complexity, especially in agriculture, namely, the problem of the "*optimum size*" of the *working groups*.

Theoretical analysis enables us to define the nature of the problems arising here, but the decisive instrument for getting a concrete answer to a concrete question is the carrying out of *economic calculation*. The latter will, of course, give a correct answer only if the problem is

first presented in meaningful theoretical terms.

Economic calculation like this must make it possible to compare the *efficiency* of different kinds of organisation. It must be emphasised that the efficiency of a given type of organisation includes a variety of aspects. We must distinguish between short-term efficiency (i.e., efficiency at the level of how economically the available means of production are *currently* being used) and longer-term efficiency. In agriculture, for instance, the latter is shown in the influence exerted by a certain type of organisation on conservation or improvement of soil characteristics. More generally, this efficiency is shown in the influence of the type of organisation on the capacity of the working groups to adapt themselves to innovations or even to promote them, and so on.

The problem is thus much more complex than it seems at first glance.^[29]

The problem of optimum size does not, of course, concern only the working groups "at the grass roots" but also the economic subjects made up of several working groups. There too it is in agriculture that the problem appears in its fullest complexity. In industry, the *technical foundations* for the sizes of working groups are determined in a much more obvious way by certain material factors: for example, the optimum size of blast furnaces or of rolling-mills determines very largely the combination of other material factors of production which technically have to be associated with them, and, consequently, the size of the *economic subjects* that will manage a given technical group. As I have already remarked, however, it can happen that what appears to be the optimum size at a purely material level may cause *problems of co-ordination* such that the *economically optimum* size does not coincide with the *technically optimum* size.

page 78

In agriculture the question is further complicated by the dispersal of activities in space, the problems of crop-rotation, of adequately intensive employment of machines in seasonal use, etc.

The question of the "cadres" available (and this is obviously true for industry as well, or any other economic activity) may also have an influence on what, *at a given moment*, may constitute the optimum size of certain economic subjects. This is an extremely important aspect of the matter.

Thus, in the Soviet Union, during the ploughing up of the "virgin lands", it was to some extent the problem of agricultural cadres that led to the formation of giant state farms (109,000 hectares was the average in Kazakhstan). Accordingly, as the number of agricultural cadres increased, it was decided to reduce this average size (cf. the discussion in the Central Committee of the Soviet Communist Party, February 1964).

Similarly, in Cuba, the size of the *Granjas del Pueblo*, though too big for efficient management, was dictated by the inadequate number of cadres available. The same reason was invoked for not according financial autonomy to the *Granjas del Pueblo* and confirming it, in 1963, to the *Agrupaciones basicas* (which embrace several *Granjas*). It is intended eventually to confer juridical personality and financial autonomy on every *granja*.^[30]

The problems of the internal structuring of the *people's communes* in China are clearly of the same order as those mentioned above. We know that economic and juridical personality was accorded to work-brigades (i.e., the former co-operatives) and also to work-*teams* formed within the brigades.

Thus, in an article in the *People's Daily* of 21 December 1960, entitled: "Property on three levels based on brigade property and the fundamental system of the people's communes at the present time", we read:

"In order to develop the spirit of initiative in production and to make full and rational use of land and time, rights of administration and management should belong to the brigade. The production plan of the commune must be based on the production plans of the brigade and the team. The allotment of the different techniques, the targets of production and the technical arrangements must be discussed by the masses and drawn up by the brigade and the team after discussion in common. In short, in this matter the members of the commune are the masters. The commune has only the right to make proposals to the brigades and teams, in accordance with the state plan, and to balance and adjust their plans where necessary. It is forbidden, however, to decide subjectively the areas to be sown to the different crops, to increase the production targets or to fix rigidly the technical arrangements without taking account of the real conditions and asking the brigades and teams for their views."

Commenting on this paragraph from the *People's Daily*, Liu Jo-chin, in a study published in the review *Jingli Yanjiu*, organ of the Economic Institute of the Chinese Academy of Sciences, writes that this passage:

". . . has clarified the relations existing between the plans of the different levels in the people's commune. In other words, the production plan of the people's commune must be based on the brigade plan and the

page 79

brigade plan must be based on the team plan." [I.e., on the smallest working group, which is closest to concrete and practical problems.]

The plan must be decided on by the *members of the commune* and not by the higher levels, from above and rigidly.

The author adds that the passage:

". . . enables us also to understand that, now, the agricultural plan can be only an indirect plan and not a direct one. Since the commune level can only make proposals to the brigades and must not determine production targets rigidly, it is clear that even less can the state lay down directly for the people's communes a production plan and technical arrangements which are unified and concrete, as it does in the case of enterprises which belong to the whole people. On the contrary, the agricultural plan must be compiled from below upward, that is, by starting with the team, then going up to the brigade and then to the commune, rung by rung; the state plan must be based on the plan of the teams (naturally, the different levels of the commune must organise their production in the light of the state plan and taking into account local and seasonal conditions; at the moment when the plan is drawn up they must take into consideration the state's needs and the tasks laid down by the state). Only thus can the agricultural plan be applied perfectly, only thus can free rein be given to the initiative of the masses and only thus will production make a great bound, realising and surpassing the plan of agricultural production." (Quoted from *Etudes Economiques*, No. 143, p. 63. See also the article by Chou Ti-chin: "The fundamental system of the people's communes at the present stage", in *Etudes Economiques*, No. 134.)

Determining the nature and size of working groups is therefore an important matter for a

number of reasons: the efficiency and realism of the plans drawn up at the level of these groups, the efficiency of their application, the degree of initiative shown by the members of the group, the internal social control (i.e., the group's *self-discipline*), and the social control from outside (checking of quantity and quality, and of cost of production).

This brings up, as already mentioned in passing, the problem of *internal economic calculation*, that is, economic calculation at the level of the different working groups. This calculation is obviously not the same thing as the financial autonomy with which *economic subjects* can be endowed. It will doubtless have to continue even after the commodity categories have passed away.^[31]

What has been said also brings up the problem of the link between quality of work at the level of the working group and the payment of the group's members.

Thus, in the state farms as at present organised in the USSR, the wages paid to each worker are, as a rule, calculated essentially on the basis of the work done *by the individual*, which since accounting takes place at the level of the state farm as a whole, means that this accounting is very complicated and it is not easy to check concretely on the quality of the work done by each worker. For example, in a report of 25 December 1959, Nikita Khrush-

page 80

chev mentioned a state farm where payment of workers required the maintenance of 15,000 cards and documents containing, altogether, 1,800,000 items of information, all of which nevertheless failed, he said, "to ensure really exact accounting and control".

Payment *at the level of the working group* often corresponds more closely to the *collective character of the work done*, so that payment made to the group can subsequently be shared out among individuals in the group in accordance with socially defined standards. This, of course, presupposes that a high degree of *self-discipline* and *self-checking* has been attained, i.e., a high degree of political consciousness. If this is not present, then administrative supervision is inevitable, regardless of its shortcomings.

To conclude these observations on the working groups, it must be stressed that, when the latter are sufficiently stable and their social personality has been correctly defined, they can and must constitute (as we have seen from what has been said above) an *essential level for the preparation of plans and checking on their implementation*; from which follows the importance of *correct internal structuring* of the economic subjects.

These observations thus show us that, inside the production sector of a socialist economy, the economic subjects are, as a rule, subjects which are structured internally. (This structuring will probably have to become more and more complex as the size of the economic subjects grows and integration progresses). The very existence of this internal structuring often makes it hard to distinguish between an economic subject and a working group possessing a social personality.

On this point let me add further that, when the level at which a real economic subject is situated has to be decided, it is very important to take into consideration the delays in transmitting information and in arriving at and notifying decisions. It is necessary to allow, on the one hand, for the maximum interval that can be permitted to elapse between the appearance of a problem and the solution that *must* be found for it, and, on the other, the interval that inevitably elapses, at a certain stage of organisation and circulation of information, between the moment when this problem appears and that at which a solution *can* be found for it (this time will obviously vary with the level at which the decisions are taken).

This amounts to recognising, here once more, that determination of the economic subject is conditioned in part by the possibilities of transmitting information, memorising it, and processing it in order to reach decisions, all of which possibilities are connected with the development of the productive forces. Here, too, experience and economic calculation will provide concrete answers. It must be noted in this connexion that the use of *simulation techniques* can, in some cases, make it possible to avoid excessively repeated, long-drawn-out and costly experiments.^[32]

From this standpoint, the size of the economic subjects, their internal organisation and their external links appear to be partly subject to the techniques of collecting, codifying, transmitting, assembling and interpreting information. Included in this "information", of course, are the economic

page 81

or technical decisions that may be taken at various levels. This implies that the advances made in the sphere of information techniques may have considerable practical consequences affecting the size of the real economic subjects and the level at which it is possible to take socially useful decisions.

If, at the stage now reached in these reflexions, I were to try to formulate some of the conclusions that can be provisionally drawn, I should say this:

In present-day socialist economy there are units of production or distribution which bear the character of economic subjects. These units are centres for the appropriation of nature by man or for the sharing-out of the products of this appropriation. They form the framework of a systematically organised technical division of labour.

In so far as the different centres of appropriation or distribution are not linked together *organically*, or as a result of decisions that can be taken consciously by a higher economic authority, these units constitute links in a local division of labour and are economic subjects each of which has to determine the conditions of its relations with the others, within the limits laid down by the aims of the plan and by the various regulations imposed in order to ensure good co-ordination of the activity of the economic subjects.^[33]

As we have seen, each of these units of production or distribution may be subdivided into "working groups". Relations between the latter are determined by the nature of the techniques being used, in so far as these working groups are not themselves economic subjects.

What, in fact, is the mark of an economic subject (in contrast to the working groups that are not economic subjects) is the fact that the products that result from the production-process carried on within an economic subject can be put to *manifold and optional uses* which cannot be governed by detailed socially useful forecasting, whereas the products that come from a technical unit or working group that is not an economic subject are destined for uses that are determined, or which can be socially determined in advance, in an efficient way.

This is why, as has already been said, the level at which the distinction is made between economic subject and working group varies as time goes by. This level depends on the development of the productive forces, including, of course, the number and competence of the trained personnel, the degree of social consciousness and discipline, the possibilities for collecting and transmitting information, and the possibilities of forward calculation, that are available to the society. The development of the productive forces thus alters the level at which there is or is not complete technical determination, or forward social determination, in a detailed and useful way, of the possible needs for and uses of the various goods emerging from

a production process.

One of the characteristics of an economic subject is that it forms a *working group* (or a complex of working groups) at the level of which economic decisions must be taken.

In contrast to *technical decisions* (required for the efficient use of a *given*

page 82

technique in order to achieve *given aims*), *economic decisions* determine the nature and scope of the variable relations that may be established between economic units; thereby, economic decisions also determine the *uses* that will actually be made of products with many potential uses.

When the economic subject coincides with a production-unit, the economic decisions that can be taken at its level concern essentially the uses to be made either of the products supplied by other economic subjects and which may enter into the production-process for which this unit is responsible, or of the products emerging from *the production-process dominated by the economic subject in question*.

When, however, the economic subject is responsible essentially for functions of allotment, distribution or management, the economic decisions it can take relate to the uses that will be made of products emerging from a production-process carried on by other economic subjects.

In any case, economic decisions are those which establish, directly or indirectly, relations between economic units, when these relations are not entirely determined by the very nature of the technical processes. Such decisions do not, of course, depend only on the economic subjects.

This leads me to re-emphasise a point made earlier, namely, the need, at a given stage of development of the productive forces, to recognise that there may exist, *in one and the same domain but for different types of decision*, several economic subjects or administrative authorities hierarchically subordinate one to another, the decision of a particular one of these rather than another being preponderant, depending on the nature of the problems to be solved.

2) *Economic hierarchy and administrative or political subordination*

The subordination of one decision-making authority to another may correspond either to a real *technico-economic hierarchy* (as in the case of certain types of vertical integration) or to an *administrative or political subordination*.

According to circumstances, the existence of administrative subordination may give expression either to social necessity or, on the contrary, to a weakness in general economic organisation. In the latter case, it means that an administrative authority has assumed the task of taking economic decisions which it would be better to take at the level of a working group. This can lead to the bureaucratisation of the economy.^[34]

The distinction between economic subordination and administrative subordination is not, of course, a matter of legal rules but rather one of the specific features of the authorities concerned. If the higher authority is an integral part of a working group, or a complex of working groups, its domination may express the subordination of the lower authorities to a genuine economic hierarchy; otherwise it is an administrative or political authority.

In a socialist economy, subordination of the economic subjects to administrative or political

authorities may result from a variety of situations.

Sometimes this subordination corresponds strictly to the requirements

page 83

of planned development of the economy in the direction of socialism. In this case it expresses the specific conditions in which social priorities are formulated and economic policy applied. This type of subordination may ensure the working out of the decisions which have to be taken at the highest social level. This is so with the main decisions regarding investments, prices, fundamental technical choices and the selection of regions for particular forms of development.

Sometimes this subordination is the only way of ensuring, at least approximately, co-ordination of the current activities of the economic subjects, owing, for example, to the inadequate training of the executives placed at the head of some of the economic subjects.

Sometimes, this subordination merely interferes in decisions that the economic subjects ought to take, because they are better placed to take them. In such cases we have the partial or complete substitution of *administrative management* for *economic management*. This substitution may be rendered inevitable, during a certain period, either by political requirements (need for nationalisation measures taken quickly and on a large scale; an economy unbalanced by the strain of war or by economic attacks), or by mistakes in organisation, or by mistakes in economic policy (e.g., a price policy giving rise to "shortages" that render inevitable an administrative rationing of products).

When administrative management tends to go beyond the objective requirements of planning and the development of the economy, it assumes a *bureaucratic* character. It loses touch with reality. It works slowly, and often in the wrong direction.

When this is the situation, the real economic subjects may react by setting up their own circuits for passing round important information and by following economic rules of conduct which only partly coincide with the decisions taken by the bureaucratic apparatus -- to some extent in order to get round the inadequacies and incompetence of the latter.

There may then exist two different pictures of economic life -- one which can be seen at the level of the economic subjects themselves and another which is composed at the level of the bureaucratic apparatus and in order to satisfy the requirements of this apparatus. This latter picture may sometimes be so distorted as to constitute nothing but a mirage. When this happens, and this "bureaucratic mirage" serves as the basis for plans, these have less and less effect on real economic evolution.

Even apart from the existence of administrative authorities, the fact that there is a hierarchy of subjects means that certain subjects have to take decisions which interfere directly in the activity of others. Such interference must, in principle, always take place in conditions which ensure that the functions and responsibilities of each subject are clearly delimited. If this is not the case, then the efficiency of the whole and the possibilities of checking what actually happens will be greatly reduced.

3) *Economic subjects, planning authorities and administrative orders*

A fundamental feature of a planned economy is, of course, that the

page 84

different economic subjects, whatever their level in the hierarchy to which they belong, all have their activities subordinated to the decisions of a *national planning centre*, or of regional, sectoral or functional planning authorities which themselves all depend, in principle, on this national centre.

So far, a centre like this is not a real economic subject, as it does not *directly* control the productive forces as a whole, it merely undertakes, technically, the *social direction* of these forces, in the name of the political authority to which it is itself subordinate.

It is by way of an increasingly complete *socialisation* of the productive forces that this social *direction* can be progressively replaced by *direct social domination*. When that is completed, the planning centre will tend to become, itself, a real economic subject. At that moment, moreover, the ties between working groups will be profoundly altered, because complete and direct social domination of the productive forces will bring about the disappearance of commodity production and tend to transform the relations between the former economic subjects into something analogous to the relations between working groups within an economic subject.

In the present state of things, however, social direction of the productive forces, as undertaken by the planning centre, takes the concrete form of the working out at this centre of a certain number of decisions -- the centre does no more, of course, than work them out, since the decisions are actually taken by the political authorities.

The decisions worked out at this level are, in principle, those which *determine the entire orientation of the national economy*. They concern the recognition, or estimation, of social needs, and the proportion in which these needs will be satisfied (so far as an a priori estimate can play a part here). These decisions also concern the ways in which society's needs are to be satisfied, given the requirements of the overall and sectoral economic balances during future periods of different lengths. They thus concern the chief quantitative and qualitative targets of *production* and the chief *investments*. They also concern the choice of the main techniques and the determining of the system of prices and incomes. This is what, at the present time, forms the basic content of *economic planning*.

Planning decisions, if they are to be effective, must form wholes which are homogeneous and adequately exhaustive. They then constitute plans. While it is essential *that the economic subjects take part in the working out of these plans*, in order to ensure that they are realistic, the *subordination of the economic subjects* to the targets laid down by the plans is also essential, in order to ensure that these plans are something more than wishful thinking.

Subordination of economic subjects to the plan is achieved through notification of certain targets to each of them, by economic regulation and by the manipulation of "economic levers". The latter expression means the use of those instruments which the retention of commodity categories makes it still possible to manipulate: prices, money, credit, etc.

It must be strongly emphasised that the decisions taken regarding

page 85

manipulation of the "economic levers" cannot be arbitrary in character, or, if they are, they will be vain or will render vain some other decisions implicit in the plan, even when these are in principle obligatory. Arbitrary decisions can thus considerably reduce the efficiency of the economic system as a whole. Thus, while in the present state of things a certain number of decisions must, if they are to be adapted to reality, *be the responsibility* of the basic economic subjects (e.g., the production-units), these decisions can themselves only possess real efficacy if

the calculations made by these economic subjects are made in "economically significant" prices (the precise meaning of this expression will be considered elsewhere). Consequently, if the prices laid down by the higher authorities are not "economically significant", the efficacy of these decisions taken at the base of the economy will be negated and they may bring about results which were desired neither by the production-units nor by the planning centre.

The subordination of the economic subjects to express *orders* or definite *regulation* results from an *administrative hierarchy*. The latter may be made up either of different levels of the planning organisation (this is so when, besides a central planning organ, there are regional, local, sectoral, etc., organs, which have the responsibility of making the enterprises under their control conform to the planned targets, by making these more exact), or of an economic administration in the strict sense, which is itself responsible to the central authority and the planning organs.

The economic administration may itself be centralised to a greater or lesser degree. It may be made up of economic ministries, organs responsible for allotting certain products, or organs with competence over a certain region (as is the case today in the USSR for part of industry, which is directed by *Sovnarkhozy*, "Councils of National Economy").

As has already been said, if the role played by an economic administration like this extends to tasks that can be undertaken in a socially more efficient way by the economic subjects themselves, there is a risk that the economy will become bureaucratised.

In this connexion it is necessary to avoid the frequent illusion by which the *de-concentration of the organs of economic administration* is seen as meaning the establishment of a *functional hierarchy* of economic subjects. A de-concentration of this sort may well eliminate some of the defects that result from vertical administrative centralisation, but it is not to be confused with a functional economic organisation that locates the essential power of *current management* at the level of the economic subjects.

If seen as a *substitute* for a functional economic organisation, de-concentration of economic administration may often bring the risk of making heavier still the burden of a bureaucratic apparatus, an apparatus which is remote from production and which erects a *screen between the political centre and the economic subjects*. *When this is the case, the political centre, which ought to be in a position to plan, is doomed to have only a partial, incorrect and even distorted view of real economic life as it actually goes on in the production units*. The quality of planning can be seriously affected by this.

page 86

When the administrative "relay stations" are not merely responsible for tasks of regulation and supervision, but also take *management* decisions, this can result in the setting up of bodies responsible for functions that would be fulfilled better by the economic subjects themselves. The positive role of the administrative authorities is essentially, as a general rule, to supervise, co-ordinate and help the production-units, not to interfere in their activities.

Even when restricted to a supervisory role, however, the activity of the administrative authorities may take on a bureaucratic character, that is, may become remote from the demands of economic and social reality. This frequently happens when these administrative authorities are not themselves subject to strict political and social control. The latter can prevent bureaucratic distortions if it is carried out both by a *ruling political party* inspired by the will to build socialism and by *organs of people's power* which emanate directly from the locality or region within which the main activity of the economic subjects which fall under this control is carried on. When the activities of certain economic subjects are nation-wide in their effect, or

even extend beyond the limits of one state, then it is only at the similarly nation-wide or international level that political control can be exercised in a democratic and not a bureaucratic way.

In the foregoing passages I have tried to clarify some of the essential features of economic subjects and also of the *hierarchical* connexions that can be established either between economic subjects themselves or between administrative authorities and economic subjects.

Now I must say a few words about contractual relations between economic subjects.

b) *Contractual relations*

The decisions an economico-juridical subject can take which concern another independent economic subject assume the form neither of orders nor of regulations. Such decisions cannot be unilateral, they must be embodied in contracts. Contractual relations, in contrast to relations of subordination, are thus relations which can unite several economico-juridical subjects which are comparatively independent of each other.

The contracts into which economico-juridical subjects enter may be of widely differing content. This is not the place to try and analyse them; I shall therefore confine myself to some very broad indications.

1) *Contracts for buying and selling*

In so far as the various economic subjects (even if they are all parts of the state sector of a socialist economy) have power to dispose of certain products, the decisions they take to get rid of these products, or to acquire them, assume, as a rule, the form of contracts (for buying and selling). These contracts give rise to a form of circulation which differs from that resulting from orders to transfer products (such as the orders that ensure the circulation of products within a factory and which are imposed by a higher authority upon a lower one). This form of circulation is the corollary of the relative autonomy of the different economico-juridical subjects.

page 87

We have seen, however, that when the plan has laid down in advance the destination, or the source, of certain products, contracts of purchase and sale (which then merely superimpose a contractual obligation upon the obligations arising from the plan) have, to some extent, a formal character: they do not really give expression to the relative autonomy of the economico-juridical subjects. Nevertheless, even when such contracts are made by virtue of the plan, they form, like the payment of the specified price, a *condition* for the alienation of the products sold by one economic subject and acquired by another. These contracts thus reveal the survival of *commodity exchange*. The latter is still necessary because the administrative authorities are unable to formulate with sufficient exactitude, in advance, all the directives relating to the conditions of circulation of the products concerned. What cannot be formulated as directives has to take the form of contracts; for example, matters relating to *specifications*, or *delivery dates*. The combination of planned tasks and contractual obligations thus appears as what are called "planned contracts".

2) *Labour contracts*

Labour contracts are the juridical form by which an economic subject in the sphere of production or distribution decides to employ a worker, and by which the latter undertakes to work for a certain economic subject. In a planned socialist economy, the conditions and

consequences of this mutual undertaking are largely laid down by the plan, by regulations and by collective labour agreements (on which I cannot dwell here). An undertaking of this kind constitutes the specific juridical form on the basis of which the workers take part in the sharing among themselves of part of the consumable social product.

In the sector of producer co-operatives there are, of course, no such labour contracts between a co-operative and its members: the leaders of the co-operative assign tasks to each member and decide the conditions governing the share-out of the collective product available.

3) *Credit contracts*

A credit contract is one by which an economic subject (a production-unit, for example) decides to borrow from another economic subject (a nationalised bank, in the socialist planned economies of today). The conditions of this contract are also subject to social regulation and, moreover, *the very purpose of such a contract is often laid down by the plan.*

When this is so, the real decision has been taken at a higher level (for example, by the planning authority which in this way allots part of the social accumulation fund). The contract then *essentially gives bodily form to orders* addressed to the two contracting parties; nevertheless, definite obligations arise from this contract, for it provides the framework within which important *particulars* are detailed, concerning the conditions for making the loan and putting it to use.

When, however, what is involved is a loan made "outside of the plan", we have before us a relatively autonomous decision taken by two economic subjects (the one borrowing and the one lending), which operates within

page 88

the limits of an overall regulation. The place that can be accorded to this way of allotting the social accumulation fund has been much discussed. It is generally agreed that loans "outside the plan" can occupy only a limited place in a planned economy. The allotment of the accumulation fund does, indeed, determine to a large extent the pace and even the forms of economic development, that is, the *fundamental purpose of social planning.*

All the same, if, at the present level of development of the productive forces, loans "outside the plan" can still be needed, this is due to the impossibility, at the moment, of foreseeing precisely enough all the technical changes that will be socially beneficial and which will require the use of a part of the accumulation fund in order to be implemented. When it is to the disadvantage of society to wait until a fresh plan has been drawn up before carrying out certain particularly efficient technical changes, then recourse is had to the procedure of loans "outside the plan".

It is not without importance to note that the contract by which a production-unit borrows from a bank may bring about partial economic subordination of the former to the latter, since the bank can then exercise control over the effective conditions for the use of the money.

We may ask whether, during the entire phase of the building of socialism in which money economy still plays a big role, the *controlling function* of the state bank does not provide the most flexible means of subordinating production-units to the decisions of the centre, more efficiently than can be done by way of a hierarchic economico-administrative apparatus. Here it is appropriate to recall what Lenin wrote on the matter:

"A single state Bank . . . with branches in every rural district, in every factory, will

constitute as much as nine-tenths of the *socialist* apparatus. This will be country-wide *book-keeping*, country-wide *accounting* of the production and distribution of goods, this will be, so to speak, something in the nature of the skeleton of socialist society." (Vol. 21 of Lenin's *Oeuvres complètes*, pre-war edition, p. 317. [Eng. version from Lenin, *Collected Works*, 4th edn., Vol. 26, p. 106].)☒

4) *Co-operation contracts*

Finally, the decisions taken by economic subjects and embodied in contracts can also assume, as we have seen (cf., *supra*, [note 3](#)), the form of agreements for co-operation.

It may be thought that the process whereby exchange and the commodity categories will be eliminated will pass, to some extent, by way of such co-operation agreements between enterprises, which can give rise to new economic and juridical subjects capable of absorbing the subjects which have engendered them. However, this process of *contractual integration* can usefully serve the development of the productive forces only if it reflects real changes in the nature of these forces and in the degree to which they are socialised.

c) *The nature of the decisions to be taken by the different economic subjects and social authorities*

The nature of the decisions that can be taken by the different economic-

[* *Transcriber's Note*: See Lenin's "[Can the Bolsheviks Retain State Power?](#)". -- DJR]

juridical subjects and by the various social authorities, and which affect other economic subjects and social authorities, is closely bound up with the nature of the relations that have to be established between them.

In so far as the relations established between different working groups, economic subjects or social authorities are relations of *hierarchical subordination*, the decisions taken by the higher authority in relation to the lower are essentially of two types: the regulation and the order.

A *regulation* is a body of decisions which lays down a framework (i.e., limits) for the activities of the subordinate subjects. It implies autonomy of decision-making by the subordinate subject within the limits of the regulation laid down by the higher authority. The further this regulation goes, and the more detailed it is, the less is the autonomy enjoyed by the subject.

Regulation (emanating from the organs responsible for working out the plan, or from the administration responsible for its application) comes into play when forecasting can assume a general form. In such cases it is possible for the higher authority to base itself upon this forecasting in order to decide, once for all (i.e., until conditions change), the *orientation* of certain decisions to be taken by the economic subjects. The same can apply, inside a complex economic subject, with regard to the subordinate economic subjects or working groups.

When forecasting of a general kind is not possible, the higher authority can determine certain actions of the hierarchically subordinate subject by giving it *a specific order*.

Thus, in the planned economies of today, the chief targets to be reached during a certain period by the various economic subjects are laid down by the plan. So far as these economic subjects are concerned, the tasks laid down by the plan constitute orders. It may be that some of

the conditions under which these targets have to be reached (e.g., the use of a particular technique) are also laid down by explicit orders. On the other hand, other conditions for attaining these targets, which it would be unhelpful to try to determine from a distance, are governed by decisions taken by each economic subject, within the limits laid down by the regulatory decisions and by the working of the "economic levers" set in operation by virtue of the overall plan.

It is important to recall here that the various working groups or technical units (the workshop, for instance), which together make up an economic subject, essentially receive *orders* coming from an economic authority inside the subject and responsible either for the general direction of the latter or for the direction of one of its constituent links. It is within this framework that the working groups have to take *technical decisions*.

Decisions are called "technical" when they concern a production-process the *purpose* and *nature* of which have already been entirely laid down by the ruling authority.

A working group which has only the right to decide the *material conditions* in which the operations entrusted to it are carried out has no economic

page 90

personality. Of course, technical conditions do also, as a rule, involve taking *economic efficiency* into consideration but, for every group which can take only technical decisions, the *framework of calculation* of its economic efficiency is wholly and strictly determined from without.

Increasing integration into a complex economic subject of the activities of different production-units (forming parts of the same homogeneous branch or of a chain of units which technically control each other) leads to loss of economic personality by these units, which gradually come to function only in conformity with orders emanating from a central authority, orders which they have to fulfil within the framework of an overall system of regulations. The decisions taken by these units will thus, to an increasing extent, be purely technical decisions.

In a sense, the appearance of economic subjects hierarchically subordinated to each other, when this hierarchical subordination is not arbitrary but corresponds to the nature and degree of development of the productive forces, can be regarded as a transitional phenomenon, the subordinate units being destined to become changed into working groups without any economic personality.

d) *The different types of hierarchy*

A hierarchy will be called "administrative" when the working groups which occupy subordinate places in this hierarchy do not form with the directing authority an organic whole possessing the character of a complex economic subject.

In this case, the directing authority is an administrative or political authority and the subordinate working groups remain economic subjects which thus have, in principle, to take economic decisions that cause them to enter into relations with other subjects.

As has been said, the subordination of the economic subjects in the production or distribution spheres to administrative or political orders corresponds to a necessity of planned economy. It is through this administrative and political subordination that the *priorities of social development* are imposed, along with respect for the *social needs* acknowledged by the plan, and the *a priori co-ordination* of the various activities the interdependence of which may be

subject to social forecasting.

On the other hand, when administrative subordination goes beyond what is socially useful and necessary and tends to substitute relations of administrative subordination for economic relations which would be better adapted to the actual exigencies of planned economic development, we see a bureaucratic distortion of the economy and a lowering of efficiency, either at the level of planning or at that of management, or else at both levels.

In extreme cases, an economico-juridical subject may be placed in a situation where it loses *de facto* all its autonomy and is therefore no longer a *real* juridical subject (even if it retains the appearance of one). The only real juridical personality is then that of the higher authority. In cases where the latter is not a true economic subject (this existing at a lower level because it is at this level alone that actual control can be exercised over the produc-

page 91

tive forces), there can be lack of correspondence between the economic and the juridical conditions in which the group made up of a juridical subject and some economic subjects is functioning.

We have already observed that a lack of correspondence like this between juridical relations and concrete production-relations can cause more or less complete paralysis of the economic subjects, with squandering or under-utilisation of society's resources, and operation by the economic subjects in ways that are in breach of the regulations (which then partly cease to be effective).

In this last-mentioned case, the efforts made by the higher authority with a view to enforcing at all costs a system of regulations which is inappropriate can lead to the proliferation of the bureaucratic apparatus and a control over the economy which is at once more and more detailed and less and less effective (the economy functioning, to some extent, in breach of the rules laid down, and so, in a way, "clandestinely"). Actions performed in breach of the rules are not reported, so that the checking of activities and their results becomes partly illusory; in such circumstances, *forecasting* becomes even more illusory.

When the lack of correspondence between the juridical rules and the actual relations of production goes beyond certain limits, the picture of the economy that the different social authorities form and present to the political authority may be extremely distorted. Thenceforth, the political authority is brought, in so far as it relies on the documents supplied by the social authorities and not on a more direct awareness of reality, to let itself be guided, to use the expression already employed, by a sort of "bureaucratic mirage", which can only result in a grave lack of control over economic reality.

The risks of such a "mirage" being formed are all the greater because the administrative organisation has a vertical structure which is strongly hierarchical, whereas the economy is far from being completely characterised by organic vertical integration. When this is the case, the vertical hierarchy is essentially *bureaucratic*, in the sense that it entails an allotment of *administrative* functions which does not correspond to the allotment of *economic* functions that is needed by the nature and development of the productive forces. Consequently, awareness of economic reality tends to be replaced by an administrative, bureaucratic, subjective and mystificatory "awareness".

When this occurs, indeed, we have a situation in which, on the one hand, there are the real economic subjects, the workers, the constantly changing production-relations, and the real contradictions, while, on the other, there is an administrative apparatus which is busy shuffling

papers, reports, figures, statistics. The higher we go in this administrative hierarchy the more synthetic do these papers, these reports and figures, become, and the more abstract, in the bad sense of the word.

Synthesis and abstraction are, of course, necessary for the general direction of the economy, but there are false syntheses and bad abstractions,

page 92

such as those which select secondary features from a complex reality, instead of selecting the essential features, that is, those which enable one to work effectively upon this reality.

Now, in the progressive ascent of documents and information up through an administrative apparatus structured in accordance with its own logic and not with that of the economy's organisation, the selection that is made among the items of information to hand can easily become determined by what is expected or wanted by the higher authority. The latter, in fact, has to judge the lower authorities by their "achievements", and in an administrative set-up these achievements are mainly "appreciated" through written reports. Thus, the higher this "information" travels, the more thoroughly is it cleared of whatever constitute the negative aspects of the situation reported on, that is, exactly what forms one of the essential elements in it, on which action must be taken if progress is to be made.

When there is a political organisation which is well-structured and well armed on the theoretical plane, and when this can ensure that another selection of information is made, and another channel provided for its upward transmission, the defects of such a system can to some extent be offset. The defects remain none the less very serious, because it is inevitable that the weight of the "information" selected through a centralised administrative apparatus must tell very heavily upon the nature of the decisions taken, and this is all the more so since administrative organisation is taking the place of the real economic subjects.

From a certain point onward, instead of an effective economic organisation which provides for a proper division between economic tasks and administrative ones, all that is available is a centralised bureaucratic organisation, which contradicts both the needs of economic management (which requires multiple functional relations) and those of genuine democratic centralism (which requires that information, criticisms and suggestions circulate *in both directions*).

Another reason why an administrative apparatus for managing the economy (when it establishes *vertical hierarchical* relations instead of the horizontal economic relations that are needed) can become a constant source of bureaucratic illusions is that this type of organisation leads to *compartmentalisation between production-units*. This compartmentalisation does not, as a rule, correspond to the actual forms of the division of labour, which, on the contrary, usually calls for multilateral links. When the economy is administratively compartmentalised in this way, the units of production are treated as the lowest cogs of a machine which operates vertically and can be controlled from a single centre, whereas, in fact, each of these production-units, in so far as it constitutes an economic subject, is a place where horizontal relations with other production-units must and do intersect. The substitution of administrative and hierarchical relations for direct economic relations thus entails many negative consequences from the standpoint of the apprehension, and so of the control, of reality.

page 93

Among the consequences most frequently observed is the greater attention accorded to the

physical quantities produced by the different branches of the economy, as compared with the quality of these products, since they are destined for users who are in the sphere of other administrative authorities.

In an economy managed in a predominantly administrative and centralised way, observation confirms that a tendency exists to be concerned mainly with the physical quantities of the various goods to be provided, and very little with the conditions in which these products will be used and the relations that ought to be established between the different production-units in order to ensure satisfactory channelling of the products.

In so far as relations between economic subjects are badly arranged, just because of administrative centralisation, the real *economic effect* of the existence of different physical quantities of products may be quite different from what is expected. What is important is not merely to dispose of definite quantities of fertiliser, insecticide, tractors, spare parts, and so on, but also, and at least to the same extent, to ensure that *each production-unit* receives these various products *at the moment required* and in the *quantity and quality required by it*.

If this does not happen, the economic effect of the possible *overall* availability of the various products may be quite unrelated to the effect anticipated in abstract calculations which take no account of *the concrete conditions under which each production-unit is supplied by the rest*. When these concrete conditions fail to conform to the production requirements of *each separate unit*, but are instead determined by inappropriate bureaucratic cogs, the economic effect of a given overall supply of goods may be nil, or almost nil, or, in any case, insignificant.

In general, lack of correspondence between a hierarchical administrative structure and the orders emanating from this, on the one hand, and, on the other what the economy needs in order to function, can result from failure to recognise the real economic subjects, or from the superimposing on these real economic subjects of a centralised economic administration which is itself unadapted to the real relations between these economic subjects, or from a system of regulation which is too meticulous and bureaucratic, or, on the contrary, from a system of regulation which is insufficiently exact and detailed and leaves to the different juridical subjects a field of decision-making which is bigger than that in which they can operate with full knowledge. This last situation can also lead to both squandering and under-utilisation of resources.

Efficient maximum utilisation of resources can therefore be secured only if there is conformity between organisation and regulation on the one hand and, on the other, the requirements of the economy's functioning.

At the level of each economic subject, this conformity is attained when the economic subject possesses juridical powers which enable it to take decisions within the field where these decisions can be taken *with full knowledge regarding conditions for their application, checks on how they are*

page 94

carried out and forecasting of their future consequences. The size of this field is mainly determined by the degree of development of the productive forces and of their social character.

Decisions that go beyond the field that can be dominated by an economic subject, and require forward views or measures affecting the future activity of several economic subjects, not yet sufficiently integrated to be dominated by a higher economic subject, must necessarily be either the responsibility of an administrative authority or else be left to the working of the commodity categories.

Thus, when the activities of different subjects *are not integrated* but are only *inter-dependent*, the decisions that have to be taken with regard to these activities belong either to the sphere of direct planning, that is, of *a priori* adjustments (when the forward view can be sufficiently exact) achieved through general regulation or through specific orders, or else to the sphere of commodity relations, when precise forecasting is not a practical proposition. In in-between situations, relating to a field which is wider than that which can be directly dominated by an economic subject, the categories of planning and those of the market will have to be combined, the market categories being subject to manipulation by the planning authorities (this is where the planning of prices and incomes comes in, a subject which will be dealt with in a later chapter).

In the foregoing passages a whole number of problems have been left on one side, connected with the *taking of decisions* at the level of the economic subjects, or the authorities which supervise them. These problems (which call for extensive analysis in their own right) concern the *mechanisms* which enable an *effective* decision to be made, the constitution of the organs responsible for taking decisions within each economic subject or each economic authority, the *mode of appointment* of the members of these organs, and so on.^[35] This would take us too far from our main subject, which is the determination of economico-juridical subjects, the nature of the relations that must necessarily be established between them at the present stage of development of the productive forces, and, finally, the effect, on certain aspects of the *working out* and *application* of plans, of the existence of commodity categories and of economic subjects. It is this last point that we must now examine.

6 *Some problems of planning connected with the existence of economic subjects*

The fact that economic subjects exist in the production sphere, endowed with relative autonomy in decision-making, obviously gives rise to a considerable number of problems as regards the drawing up of plans and the implementing of these plans. I will here touch on only some of these problems.

a) *The role played by economic subjects in the drawing up of plans*

In order to see what is involved in plans based on the existence of a large number of economic subjects it is enough to imagine the opposite

page 95

situation, where there is no *diversity* of economic subjects but only a certain number of technical departments operating inside a single economic subject.

In a situation like that, once the targets for the economic subject have been laid down, the tasks of the various technical departments composing it, and the means necessary for realising these tasks, can essentially be determined *a priori*, provided a certain number of *calculations* are made. In other words, the chief tasks of the technical departments can be *deduced* from the targets of the economic subject, allowing for the technical features, in the strict sense, of the various working groups embraced by this subject.^[36]

The position is quite different when an economic subject has to take current economic decisions. These decisions have engendered more or less regular relations between it and a more or less considerable number of other economic subjects. In this situation, the conditions in which the plan can *foresee* the activities of *each* of the economic subjects in question are quite different: *it is not possible to arrive by way of deduction* from the targets to be attained by a

group of economic subjects at the tasks to be carried out by each of them.

In this situation (that is, when there is a plurality of economic subjects), it is necessary, in order to arrive at plans which are both realisable by each economic subject and economically as advantageous as possible, not merely to consult the working groups and arouse their initiative but also to cause the different economic subjects to participate actively in *the actual working out of the plans*.

1) *Procedures for consultation and participation*

It is this situation that confers such importance, weight and significance upon the procedure which consists in preparing centrally a draft plan, sending this "down" to the economic subjects so that they can amend it, and then bringing the amended plan back "up" to the planning centre. This is not merely a *calculation technique* [37] or a way of assembling relevant information, it is *a special way of working out* a plan, dictated by the necessity (for the sake of a high degree of social efficiency) of taking into consideration the *specific* and concrete economic situation of the different subjects.

At a lower level of socialisation of the productive forces than is characteristic of modern industry, that is, in the sectors where this socialisation is relatively less developed, the preparation of the plan cannot yet be under taken by the "sending down" of draft plans and their return, amended, to the central authority. It has to be done by the drawing up at the centre of a simple *directional framework*, which is handed over to the different economic subjects. The latter then work out, on this basis, *their own draft plans*. These drafts are sent to the central authority, which makes any necessary adjustments, in a continuing dialogue with the economic subjects. As we saw earlier, this is the way in which, in China, the production plans of the work-teams and work-brigades are prepared within the people's communes, as also the plans of the communes themselves.

It must be observed that, in an increasing number of socialist countries, and notably in the Soviet Union itself, [38] the yearly production plans of the

page 96

industrial enterprises of the state sector itself are to some extent drawn up by this method, that is, starting from drafts prepared *by each of the enterprises*, within the framework of forecasts of general economic development. These general forecasts result either from a prospective development plan or from directives worked out centrally for a period shorter than that covered by the prospective plan.

One may be surprised to find methods of drawing up the plan which assign a more substantial role to the different economic subjects succeeding methods which had reduced to little the role played by these subjects. There would seem to be grounds for wondering whether the way the methods of drawing up plans is evolving does not refute the conclusions of the foregoing analyses, since what we see is that when the productive forces of the socialist countries have increased and their social character has been consolidated, a bigger role than before is accorded to the economic subjects in the preparation of the plans.

There are several reasons for this evolution, and they show that it does not contradict the conclusions of the foregoing analysis, despite the fact that it seems to be developing in the opposite way to what would be suggested by a mechanical application of the conclusions of this analysis. On this point I will confine myself to listing briefly some of the reasons that account for this type of evolution:

(1) The rapid transition from one mode of production to another, the imbalance and economic tensions caused by it, and by the great efforts made to accumulate, have, during a certain period, created a situation that rendered temporarily impossible the granting to each economic subject of all the margins of initiative, decision-making or suggestion that corresponded to the actual level of development of the productive forces;

(2) The lack of experience of the managers of enterprises, trained personnel and workers likewise made impossible, for an entire period, wider initiative on the part of the economic subjects and wider participation by them in the working out of the plan targets;

(3) What was a necessity at a certain transitional stage (a necessity which, true, was sometimes interpreted excessively), was later looked upon as a mode of organisation appropriate to the level of the productive forces already attained, so that, for a certain period, there was a tendency to treat the productive forces as though they had reached a higher degree of socialisation than was really the case.

In fact, as soon as the problems of the first transitional phase had been overcome, the far-reaching inconveniences of methods of working out the plan which were not appropriate to the level of development of the productive forces (even after these had progressed) made necessary a revision of these methods, in the direction of more extensive autonomy, and a greater measure of initiative and power of suggestion being accorded to the economic subjects.

This process will certainly have to be reversed later on, in consequence of the ever-higher socialisation of the productive forces. However, if we

page 97

accept the foregoing analyses, we have also to accept that this reversal of the process will have to be carried out essentially through reduction in the number of economic subjects and transformation of a considerable quantity of them into mere technical departments of complex economic subjects.

2) *Some factors influencing the content of the draft plan prepared by an enterprise*

It must be observed that the content of the first draft of the plan of an enterprise (which will have a very important bearing on the plan ultimately adopted) is much influenced by the *criteria* that will subsequently serve to measure the efficiency of the management of the enterprise and also, perhaps, to determine the amount of part of the payment made to the management, the specialist personnel and the workers.

For example, if bonuses to enterprises or to specialist personnel are awarded on the basis of (or taking into account) the proportion in which the plan of each enterprise has been fulfilled or surpassed, it is almost inevitable (in so far as the motivation of those who are responsible for preparing the plan of the enterprise is based on considerations of material gain, or even of prestige) that the first draft of the plan of the enterprise will assume a "sub-optimum" level, because this is what will enable the enterprise to surpass its own plan without difficulty. Since the yardstick, or criterion, of *surpassing the plan* has often been, and still is, one of the criteria by which the quality of management is estimated, this is a very frequent phenomenon, resulting in the existence within the enterprises of unused "reserves" of production-capacity.

Similarly, as regards costs of production, if bonuses are to some extent awarded on the basis of the achievement by an enterprise of costs of production lower than those foreseen by the plan, the enterprise will tend, when the first draft of its plan is drawn up, to estimate its

production-costs as planned at a level higher than is really necessary.

For these reasons it has sometimes been proposed that bonuses be awarded, in part, not on the basis of *surpassing the plan* but on the basis of the *progress proposed by the plan of the enterprise in comparison with the results of the previous year* on condition, of course, that the plan thus put forward is duly realised (this is the gist of one of Liberman's proposals regarding the award of bonuses on the basis of *planned profits*, as proposed by an enterprise itself). The disadvantage of this might be that in the course of a given year each economic subject might restrict itself to achieving the targets it had laid down in advance, even though it could surpass them, so as to keep in hand, so to speak, a sort of "reserve" of proposals for planned advances for use in the subsequent year.

This shows that the margin of initiative and freedom of manoeuvre which has to be allowed to each economic subject (precisely because it alone can know its own production-capacities) is such as to give rise to contradictions between the interest of the economic subject and the collective interest. These are objective contradictions the scope of which one must try to restrict not only by organisational measures but also by develop-

page 98

ing that political consciousness which alone can make every group feel that the interests of society must take precedence over those of a limited group.

In practice, it is the task of the social authorities standing higher than the economic subjects to check -- though this is no easy task -- on the extent to which the initiatives or proposals emanating from the economic subjects conform or fail to conform to the general social interest.

In the Soviet Union, when the first draft of the plan of an enterprise is sent up to the *Sovnarkhoz*, the latter has to check whether the economic subject has kept back hidden "reserves" enabling it to surpass the plan. Naturally, when it makes this investigation, the *Sovnarkhoz* tends as a rule to start from the results achieved in the previous year and to raise them more or less mechanically by a certain percentage, so that the total figures of the enterprise plans come up to the targets set for the region or the whole country. This way of proceeding, which is officially disapproved of, entails a number of disadvantages; it tends to make the plan of the enterprise the result not of an objective evaluation of its potentialities but rather of a compromise between its own estimate, usually a modest one, and the more ambitious estimate, which is not necessarily better founded, of the higher social authority.

b) *The degree of exactness and the more or less obligatory character of enterprise plans*

The existence of economic subjects necessarily endowed with a certain autonomy must obviously reduce the *degree of exactness* that can be achieved in the forecasts embodied in plans.

Accordingly, in so far as the activity of an economic subject is partly determined by the activities of the other economic subjects, it is pointless to try and define in detail, exactly, all aspects of the future activity of each economic subject.

The situation is clearly different where *the figures for overall targets* are concerned: here a fairly high degree of precision can be attained. What is difficult, at the present level of development of the productive forces, is the endeavour to allot *a priori*, with precision, all these targets *among the different economic* subjects. Under present conditions, an *a priori* allotment like this is very unlikely to be the optimum allotment.^[39]

Furthermore, even at the level of the working out of overall plans, that is, of overall targets, certain *qualitative* aspects of production must today still be left on one side. For example, the plan may well lay down the number of pairs of shoes to be produced during a year; it cannot foresee, in a socially useful way, the styles of shoes that ought to be produced, and still less the number of pairs of each style and the allotment of this specific production among the different factories. Any attempt to go into such details results inevitably in the manufacture of products which are not those most in demand, and so in a waste of social labour. It would be the same if the attempt were made to forecast in a very detailed way the production of different types of equipment. When the latter is highly diversified, corres-

page 99

ponding to a wide variety of conditions of production and use, it is necessary to leave to agreements between enterprises an important role in the specification and destination of what they produce.

The targets and tasks laid down by the plan for each enterprise at the present time in the Soviet Union are essentially the following (so far as industrial enterprises are concerned):

Total amount produced, measured in physical units (by broad categories of products) or in value, at current prices.

Total amount invested, with destination of investments: new building and equipment, modernisation, large-scale repairs.

Principal technical changes (these being *minimum* targets): machinery to be installed, new processes to be introduced, etc.

Technical norms relating to use of materials and power, and reduction in the consumption of intermediate products (these norms represent *maxima* in the sense that the quality of the management of an enterprise is estimated by reference to its success in reducing this consumption as compared with the forecasts).

Number of workers and office staff, in broad categories, and total amount of wages to be paid: these estimates are *maxima* which the enterprise must strive not to exceed, and, if possible, not even to attain; individual wage rates are, of course, fixed on the basis of official scales.

Cost of production per unit of the products (*maximum* targets).

Selling prices of products. These are compulsory; the prices actually charged must be neither higher nor lower than those laid down. The only exceptions are made for certain products which are new, or are being made in small quantities or even in single specimens. The prices laid down in these cases must be calculated in accordance with certain rules and must be approved by an administrative authority.

Minimum profit, resulting from the difference between cost of production and selling price, and corresponding, in general, to a margin of between 2 and 5 per cent, calculated on the basis of the cost of production.

As will be seen, some of the targets thus laid down by the plan are absolutely *obligatory*, as, generally speaking, with selling prices; others, on the contrary, are *minimum* values to be reached and, if possible, surpassed, as with production figures and technical improvements; while yet others are *maxima* which the enterprise must try, if it can, *not* to attain, as with the

technical norms of consumption of intermediate products and the norms of employment of labour per unit product.

The fact that some targets are *maxima* or *minima* that must not be exceeded or must not be attained corresponds to the existence of *limits* within which the enterprise can operate, something which to some extent gives concrete form to its freedom of manoeuvre.

An essential problem is obviously that of fixing these limits in such a way that within them the enterprise can work out an optimum production-programme.

Another problem is to ensure that the optimum programme in question

page 100

is optimum not only for the particular enterprise but also for society as a whole. These are problems which depend especially on the conditions of economic calculation and planning at the level of the enterprise.

It must, however, be pointed out at once that the freedom of manoeuvre which is necessarily accorded to the economic subject gives rise to important problems in connexion with price policy.

As Oskar Lange observed, in an article published in 1957:[\[40\]](#)

"At the present time there is often a conflict between the profitability of the production of a certain range of goods and the social need for these goods. The enterprises show, to varying degrees, a tendency to produce the goods which are most profitable, even though socially less necessary. This contradiction results from a mistaken policy of price-formation which runs counter to the law of value. Given a suitable price-policy, the goods which are socially most needed would also be the most profitable. If this were so, the socialist enterprise, aiming at profitability of production, would automatically fulfil at the same time its social and economic tasks."

This quotation raises a number of problems regarding price policy which I do not at the moment intend to discuss.[\[41\]](#)

The interest of the quotation so far as our theme is concerned is, in particular, that it shows how it is possible to try and solve one of the *contradictions which can arise between the different tasks of the plan*, by operating a certain price-policy, that which is proposed in this passage, so as in principle to give the enterprise the directive to seek first and foremost to produce the most profitable goods, the prices of goods being determined in consideration of the social priorities themselves.

In connexion with the foregoing, it is also necessary to make certain observations regarding, on the one hand, the proposals that have been made in the Soviet Union to reduce the number of obligatory tasks laid down in the plan and, on the other, certain contradictions or weaknesses that are at present to be found in business accounting and planning at the level of the enterprise.

One of the disadvantages that appear when too many obligatory tasks are laid upon a particular enterprise is, as has already been shown, the *contradiction* that may arise between the fulfilment of different tasks.

It is in order to reduce to the minimum such possibilities of contradiction that the Soviet economist Liberman has proposed the following changes regarding the laying down of plans at

enterprise level.^[42]

(1) That the plans for individual enterprises, after agreement and approval of targets concerning amount and range of goods to be produced, shall be entirely determined by the enterprises themselves, which will thus be allowed to choose for themselves the means of reaching their targets.

(2) In order to ensure that the enterprises maintain a conscientious attitude towards the state and have a material interest in producing as efficiently as possible; that a single fund be established from which payment of all categories of "material incentives" shall be made, the amount of this fund

page 101

depending on *profitability*, that is, on the profits in relation to the production funds of the given enterprise.

(3) That long-term norms be laid down by the centre to provide a scale of incentives, these incentives being related to the degree of profitability attained by the various branches of production and groups of enterprises which operate in approximately the same natural and technical conditions.

(4) That centralised planning be reinforced and improved by not laying down certain obligatory tasks (control figures) except for the *Sovnarkhozy* alone. That the practice of allotment of tasks among various enterprises by the *Sovnarkhozy* in accordance with the "level reached" by these enterprises be abolished. That the *Sovnarkhozy* be obliged, on the basis of *economic analysis*, to check, evaluate and improve the plans drawn up by the enterprises themselves, without, however, altering the scales of profitability which serve as the basis for awarding incentive bonuses to the enterprises.

(Note : These last two categories of proposals aim, on the one hand, at working out a differential system of profitability, on the national scale, taking into account the situations of the different enterprises or groups of enterprises, and, on the other, at not awarding bonuses to enterprises unless they achieve *both* their norm of *profitability* and the *targets* of their plan, targets revised on an objective basis by the *Sovnarkhozy*.)

(5) That methods of using the bonus funds supplied by the profits of an enterprise be laid down in such a way as to expand the rights of the enterprises to use these funds for purposes of individual and group incentive.

(Note : This no longer relates, therefore, to the methods of *awarding* bonuses but to the methods of *using* them. It is at this level that "material interest" really makes itself felt, whereas up to this point what has been involved is rather the indices that make it possible to "measure the efficiency" of the management.)

(6) That the principle be established that the prices of new goods be fixed in a flexible way, so that the most profitable products may be profitable both for the producers and for the consumers, that is, may be profitable on the scale of the economy as a whole.^[43]

(Note : The last proposal aims at helping technical progress to make its way by favouring, as regards profitability, the enterprises that are manufacturing new products, which are more advantageous for the national economy. It is indeed obvious that if the profitability of new products remains the same as that of old-established products, while the management of enterprises is evaluated, and bonuses awarded on the basis of profitability, then enterprises will

usually have no interest in introducing new products because at first the launching of a new product can give rise to many difficulties and cause a temporary fall in profitability.)

c) *Some contradictions or weaknesses in the present practice of business accounting and planning at enterprise level.*

1) *Investments without security*

Present-day Soviet practice includes the granting *without security* to each

page 102

economic subject of the resources it needs for its new investments. In other words, when investments are provided for in the plan, in order to achieve certain targets, the enterprise or the economic subject receives from the banking system the funds needed for the realisation of these investments, *without any obligation to repay or to pay any interest to the bank* (this does not apply, in principle, when investments are undertaken "outside the plan").

This practice brings a certain contradiction into the functioning of the enterprise, considered as an economic subject endowed with a relative autonomy of management.

Whereas, indeed, each enterprise has to *buy* the raw materials and intermediate products it needs, and, as a result, its purchases enter into its costs of production (which must, at least in principle, encourage it to avoid any waste of intermediate products), it receives its investment funds, so to speak, "free of charge".^[44] This may result (and often has resulted) in encouraging the enterprise to ask for investment funds larger than it really needs. It may, in particular, be led to do this in order to build up future "reserves" of increase in production or reduction in cost of production.

Under these conditions, investment is not subject to the same rules of business accounting as current management, something which does not tend to ensure that, at the level of each enterprise, the investment funds are used in the most satisfactory way.

The control exercised over each economic subject by the higher social authorities should, of course, in principle avoid the wasting of investment funds.

To the extent, however, that there is *lack of conformity* between the rules determining the operation of the economic subject, at the level of the use of *current resources*, and those which determine its operation at the level of the use of *investment funds*, and that only the former correspond to its quality as an economic subject, whereas the latter treat it as a mere technical department, distortion and waste seem to be more or less inevitable.

For this reason it is being more and more frequently proposed, in the Soviet Union and in other socialist countries, that the principle of gratuitous granting of investment funds to enterprises be abandoned, as contrary to the principles of autonomous management. If this proposal were adopted, it would mean that the enterprise would have to repay the investment funds granted to it, and perhaps also (this is, at any rate, one of Academician Nemchinov's proposals) would have to pay to the state treasury a certain sum representing *a definite percentage of the value of the investment funds tied up in it*. This payment would enter into the costs of production of the given enterprise. The justification of this proceeding would be that the present concept of cost (that is, of costs of production without any "capital" charge) is a "category" of simple reproduction, since it includes only current expenses, depreciation and a small "profit". According to Academician Nemchinov (*E.G.*, in Russian, 27th April 1963), each enterprise should be able to re-create, on an expanded scale, its own conditions of work, thanks

to a sufficient degree of "profitability" of its investments.

page 103

This presents important problems of business accounting at enterprise level, problems which will have to be discussed in another context.

2) *The annual character of the plans*

Another contradiction results from the present practice of working out annual plans for an enterprise. The annual character of the plan can actually hinder technical progress. It has been pointed out that an enterprise which introduces innovations that will be fruitful after a lapse of several years may, during the first few years of the installation of these innovations, give a mediocre performance that will evoke disapproving opinions of its current management.

Discussions now going on in the socialist countries show that this constitutes a serious restraint on the introduction of innovations in the enterprises. It is now proposed that this restraint be removed by bringing in ways of estimating the quality of management which will not be confined to the one-year-at-a-time framework.

3) *The quantitative indices*

Finally, another shortcoming of present-day practice results from the essentially quantitative character of the targets. Quantitative targets are obviously easier to measure, but pursuit of them may lead to neglect of the qualitative aspects of production. Thus, enterprises which want to attain a certain volume of production, and which find this difficult, are often tempted to permit a lowering in the quality of their products, so as to increase, so to speak, artificially (or rather, in appearance), the productivity of their work. Under these conditions, society may receive from the given enterprise only services which are in fact inferior to those that would be represented by a volume of production which was smaller but of better quality (either because some of the products are unusable or because they are less durable).

It has often been suggested, in order to remedy this state of affairs, that those cases should be made more frequent in which direct contacts are made between the supplying and the using enterprises, the latter being, in principle, the parties most interested in checking on the quality of the products supplied to them. Not only should direct links be formed in this way, it is suggested, but they should be subject to cancellation by the using enterprise in the event of standards of quality being disregarded by the supplier. The using enterprise would then get in touch with other suppliers who might be able to provide goods of better quality.

It may be that advantages that are unreal are ascribed to this kind of "flexibility" in relations between enterprises. On the one hand, it may not be that the using enterprise will always prove able to spot in good time the inadequate quality of the goods supplied to it, and, on the other, in a situation in which every enterprise is working at full capacity, it is not easy for a using enterprise to find a new supplier.^[45]

Actually, it would probably be preferable to entrust a *social authority* with the task of checking the quality of products, by laying down qualitative standards which, if not respected, would result in certain products, though

page 104

supplied in the material sense, having no economic value, or only reduced value. (This raises

the problem of a system of price-fixing which would take account of the *social usefulness* of products -- a problem which deserves treatment on its own.)

d) *Methods used by the planning organs to lay down production-targets*

The methods which are used by the planning organs in order to lay down even overall targets for production are also affected by the existence of economic subjects.

Owing to the fact that economic subjects exist, endowed with a certain degree of autonomy; to the fact, consequent upon this one, that the commodity categories exist; and also to the fact that the part of the national income which is consumable on an individual basis is allotted by means of money, the central planning organs are obliged, in order to lay down the targets for production-plans, to employ a great variety of methods.

In practice, as I have already indicated, once the basic targets of economic activity for a given period have been decided on in an overall and provisional way by the central planning organs, the targets for the current production plans have to be determined progressively by these same central organs (or their regional or sectoral extensions) on the basis of the following methods:

(1) Working-out of overall forecasts in increasing detail, making use of economic and technical projections and being guided by political and social choices.

(2) Collation, and adjustment to the basic targets, of the forecasts or *proposals of the economic subjects and social groups*.

If these forecasts and proposals have been worked out within the frame work of the basic targets, it should be possible to make the adjustments without altering too radically the draft proposals initially composed by the planning organs, but nevertheless it is clear that these adjustments must result in incorporating in the overall targets themselves certain proposals that have been worked out in a decentralised way.

These proposals and forecasts emanate both from the economic subjects responsible for tasks of production or distribution (trade organs) and from social groups responsible for various sectors of collective consumption.

The role of the planning organs is clearly not confined to adding together these proposals and forecasts but consists rather of comparing and adjusting them. These adjustments, which are in principle determined by social priorities, are carried out through a continuous dialogue with the various economic subjects.

Experience shows, moreover, that the capacity of the economic subjects to forecast their future needs, even over a relatively short period, is not always sufficient for the draft plans they produce to be really useful. This is especially true when a planning policy is beginning to be put into effect, when those who stand at the head of the various economic subjects are still relatively inexperienced. When this is so, the central organs have to undertake the preparation of overall forecasts covering the needs of the economic

and technical subjects, making use of technical coefficients and tables of inter-sectoral relations.

It must again be stressed that the overall statistical forecasts may often be more significant than the forecasts made at the level of each economic subject taken separately. The tendency, frequently observed, to ask each economic subject for a very large number of forecasts regarding its future needs may result in the central planning organs being pointlessly snowed under with a mass of "information" of little interest, or even lacking in any real meaning: this can prove to be the source of serious mistakes, or at least of substantial losses, when attempts are made to use this "information" or these proposals.

For example, in certain socialist countries at certain periods, the various state farms have been asked to forecast from one year to the next what their needs would be in spare parts, small agricultural implements, and even screws and nails. More often than not, forecasts made and added up in this way turned out to be much more remote from reality than those resulting from the application of statistical norms. True, the latter do not enable one to forecast how many nails or screws each state farm will need individually, but that is of no importance so long as the necessary screws and nails are available in the country and each economic subject possesses the *financial means* to buy them, within the limits of its real needs, from state trading organs which themselves operate with a certain degree of flexibility.

(3) Finally, in a certain number of cases the forecasts of the planning organs can be worked out on the basis of *detailed statistical soundings (polls)* carried out among a certain number of economic subjects or social groups or even individual consumers. Investigations by means of well-chosen samples often bring in information of much greater significance than long questionnaires circulated among thousands of production-units, who complete them with varying degrees of adequacy.

e) *Method of carrying out the plans*

Methods of carrying out the plans are of course very closely bound up with the existence of economic subjects endowed with a certain degree of autonomy. There is a fundamental difference between the methods whereby the internal production-programme of an economic subject is carried out and the methods whereby relatively autonomous economic subjects carry out national plans.

From the theoretical standpoint what is important to stress is that, on the plane of the methods of carrying out the plans, account has to be taken of the fact that the existence of economic subjects, endowed with relative autonomy, implies the superimposing of *macro-decisions* taken at the level of the central authorities, upon economic *micro-decisions* taken at the level of the economic subjects.

To the extent that the micro-decisions taken by an economic subject affect *another economic subject*, they cannot by their very nature be realised by means of orders,^[46] so that an important role has inevitably to be played by *contracts concluded between the economic subjects*.

page 106

Here again we may quote from the article by Oskar Lange previously mentioned, where he writes:

"The relations between different socialist enterprises ought, in principle, to be based on a system of direct contracts concluded between them, this replacing the present system of allotment from above. The latter method should be retained only in exceptional cases, where shortages of certain goods, especially raw materials, cannot be eliminated through raising prices because the implementation of the economic plan demands more selective methods than a mere price policy."^[47]

These conclusions of Oskar Lange's nevertheless call for a complementary observation. This relates to the fact that the very development of structured economic subjects results in the extension of *forms of allotment which are internal to these subjects*. These forms are neither administrative nor contractual, but technical.

I must add, too, that contractual ties between economic subjects cannot be as flexible as they need to be unless an adequate number of *trading organs* are set up within the stated sector, with responsibility for *managing stocks* of intermediate products and finished products.

Indeed, if each economic subject is to decide the moment at which it will proceed to purchase certain products, and also the specifications of these products, it is essential, to ensure the continuity of the production-process, that there be adequate social stocks of the various categories of product. On the other hand, it is equally essential for correct use of social accumulation that the available stocks should not exceed the real needs. This brings up the problem of the correct management of stocks. It is very important to solve this problem: it conditions, to a large extent, the efficient current functioning of the economic system as a whole.

In the socialist countries they have made attempts to solve the problem of stock management by laying down "norms" for stocks. These norms are made obligatory for the enterprises, which must neither exceed certain quantities nor allow their stocks to fall below a certain minimum level.

In fact, the fixing of these norms usually lacks flexibility. It is seldom possible to determine in this way the volume of stocks that genuine economic subjects may need (the situation is different where what are involved are technical departments functioning within an economic subject).

Optimum management of social stocks is a specific economic problem, the solution of which requires exact calculations and the employment of methods of programming. In order to carry out such tasks there will frequently be need for co-operation by either a trading department within a complex economic subject or else a state trading organ responsible for managing particular products.

Though there is no time to go thoroughly into the problem, it is useful to stress that the way stocks are managed has an impact on the pace at which production plans are accomplished. Here arise a number of problems connected with what can be called the "programming of the carrying-out of the

page 107

plan", problems which cannot be examined immediately because this would take us too far away from the centre of our present concerns.

Conclusion

To sum up, according to the foregoing analyses, the retention of the role played by the *commodity categories* within the state sector of the socialist economy and the *existence of distinct economic subjects* within this sector are connected with the present level of development of the productive forces and the greater or lesser degree of socialisation of these forces, as between one branch and another of the economy, and even, inside the various branches, between the production-units.

If the existence of distinct economic subjects is an objective existence, rooted in a certain level of development of the productive forces and merely *confirmed* by law (which itself can *create* only juridical subjects), it will be realised that *exchange can and must* take place between the economic subjects which together make up the state sector of the socialist sector.

It will also be realised that, on the other hand, with the advance in the social character of the productive forces, an increasing number of production units are destined to become mere technical units among which products can circulate in conformity with a pre-established plan and without, consequently, any exchange of commodities.

It is in this sense that, in *Economic Problems of Socialism in the USSR*, Stalin was able to speak of the need, "by means of gradual transitions, to replace commodity circulation by a system of products-exchange" (*op. cit.*, p. 56: Eng. edn., p. 75).

When the number of economic subjects surviving in the production sphere is sufficiently small and the conditions in which they operate are sufficiently regularised for it to be possible to forecast, with sufficient precision, their need for products supplied by other economic subjects, the movement of these products from one economic subject to another can really be effected in a socially organised way and in conformity with a pre-conceived plan. Henceforth, the economic subjects progressively become the socially controlled organs of a division of labour which is at once technical and social. Ultimately, the economic subjects cease to be subjects and are no longer anything but non-autonomous cogs in the division of labour.

Thus, the existence of commodity categories within the state sector of the socialist economy is bound up with the fact that, with the productive forces at their present level of development, the economico-juridical subjects must be allowed a certain margin of initiative if the economic system as a whole is to function efficiently.

More precisely, it is necessary, at this level of development, that the initiatives taken by certain working groups shall correspond not merely to *technical* decisions but also to *economic* ones. In other words, some of these decisions must bear, to some extent, upon the purposes for which the means of production at the disposal of the economic subjects are used, and upon the relations that the economic subjects establish among themselves in order

page 108

to acquire or to alienate certain means of production or certain products, so as to accomplish the plan under the best possible conditions.

It is therefore because it is necessary for the efficient working of the economy that certain working groups may be able to take economic decisions that these groups constitute *economic subjects*. This very necessity means that in the planned economy of today, as has already been mentioned not only do economic macro-decisions have to be superimposed on technical micro-decisions, but also technical macro-decisions on economic micro-decisions.

With the productive forces at their present level, this necessity is bound up with the still considerable limitations on the possibility of *estimating social needs in advance*, especially needs which arise in the production-sphere itself, and with the still very great imperfection of *a priori* estimation of the labour time that *should* be devoted to the obtaining of the different varieties of product.

It is, in particular, these limitations and imperfections that make it impossible to forecast within the framework of the overall economic plan the precise allotment of the labour-force that would be most efficient, the exact quantities of goods that will actually be available and the

detailed way in which these goods should be allotted.

These, then, are the reasons why a margin of initiative must be left to the different economic subjects. This amounts to saying that within certain limits, laid down by the plan itself and by the various juridical authorities, the different economic subjects must necessarily behave, up to a point, like more or less "independent" producers.

In other words, as things are at present, what Marx called "the interconnexion of social labour" takes effect not only through the plan but also, still, up to a point, through the exchanging of the products of labour. (The expression "interconnexion of social labour" is used by Marx in his well-known letter to Kugelmann of 11th July 1868.)

If economic subjects exist and have necessarily, as such, to be endowed with a certain margin of economic initiative, this means that, at the present level of development of the productive forces, the initiatives taken by certain working groups affect not only the use made by the economic subjects of the means of production that are assigned to them for the accomplishment of certain definite purposes, but also the use or non-use, by way of acquisition, of certain means of production, especially of certain items of equipment.

Satisfactory determination of the juridical conditions in which economic subjects of the production sphere operate presupposes an effort to ascertain what the economic bases are for the right of these subjects to use or not to use certain means of production, and the economic bases of their right to dispose of the products obtained: only in this way will it be possible to decide in conformity with social interests the extent and the necessary limits of these rights.

We know, for example, that when Stalin published his work on *Economic Problems of Socialism in the USSR* he noted that despite the fact that the *means of production* at the disposal of the collective farms at that time (land

page 109

and machinery) *belonged to the state*, the product of collective-farm production was the *property* of the different collective farms. It was so, said Stalin, because the land was used by the collective farms "as if" it were their own property, even though the collective farms had no right to sell it, buy it, rent it out or mortgage it. In practice, in the situation that existed at that time (and which has changed since in the direction of an increase in the powers of the collective farms, through the sale to them of the machinery which they use), the collective farms possessed only a sort of *right to productive use* of the means of production, whereas they were *owners* of the products.

As regards the state enterprises in the USSR, they also possess a *right to productive use* of the means of production which are assigned to them. This right of productive use is very much more limited in its effects than that which is enjoyed by the collective farms, for these enterprises themselves belong to the state and their integration in the social division of labour is much more complete than is the case with the collective farms.

The point that must be stressed in this conclusion is that the nature and scope of the rights "to productive use" that are enjoyed by the collective farms and the state enterprises cannot be determined arbitrarily, if it be desired that these rights shall effectively serve the progress of planned socialist economy. The nature and scope of these rights must follow from the need to ensure *conformity between juridical powers over certain means of production and practical capacities to operate these means of production*. This is a point I have developed at greater length in "Forms and methods of socialist planning and the level of development of the productive forces" (the next chapter of this book).

As I have indicated in this article, the attribution to certain social authorities of *juridical powers of disposal* may eventually find expression in the existence of *different forms and levels of state socialist property*.

Whereas, for example, the Soviet state is the owner of certain enterprises, these may themselves be, in a sense, "owners" of their means of production and their products, in so far as they enjoy at one and the same time certain juridical powers *and* effective capacities to dispose of things which conform to these powers. In this way, the "oneness" of a right of ownership which is characteristic of a certain phase of capitalist development is finally broken up.^[48]

The scope of the "right of disposal" possessed by the state enterprises is, of course, strictly limited by the fact that these enterprises themselves belong to the state and that the latter allows them rights over the means of production it assigns to them *only to the extent that these rights are used for realising the plan and are necessary* for doing this under good conditions of social efficiency.

Here we find again, on the plane of juridical categories, a conclusion to which we had come on the plane of economic categories: the existence of commodity categories inside the state sector of the socialist economy is not merely an "accounting device" or a convenience for calculations. The existence of these categories expresses, simultaneously:

(1) The survival, to a certain degree and within certain limits, of ex-

page 110

changes which take place on the basis of economic decisions taken in a relatively autonomous way by working groups (the autonomy of these groups is *relative*, because they enjoy it only so as to be able to contribute more effectively to the fulfilment of the targets of the plan), and

(2) The existence, required by this relative autonomy itself, of powers of disposal and rights of usage, powers to alienate and acquire, which have been accorded to the economic subjects, rights which can constitute subordinate forms of property.

If this analysis is accepted, then one is led to consider likewise that money plays, within the state sector of the socialist economy, not merely the role of a *unit of account* but also a *real economic role*. And this role is, to make it possible, to a certain extent, for the different economic subjects *to get rid of* their products, or *to provide themselves* with products, *on the basis of their own initiatives*.

If the plan could foresee the exact quantities of products that each working group would provide, and of those that would be required by each group, and if it were in a position to ensure at the desired moment the full satisfaction of the needs of each group, it would also be able to decide *where the products should come from* to meet each group's needs and the direction in which the goods provided by each group should be sent. Under these conditions, the products could be dealt with by means of socially efficient allotment orders, and there would be no further need either for purchases or for sales; nor, therefore, for money.

On the other hand, since such forecasting and such a balance, *a priori*, between supplies and needs are not yet possible (with a few exceptions), and, especially, since they cannot be effected with sufficient precision (from the standpoint of the time and place at which supplies must be produced and despatched), it is necessary to allow a sufficient margin of initiative to a certain number of working groups; this is what, basically, makes it necessary to use money for *buying and selling*.^[49]

In the socialist economy of today, money thus plays not merely an accounting role but also a real one (on the economic and juridical plane). There are, for this reason, in the planned economies of today, side by side, a *material plan* and a *financial plan*. Only with the disappearance of the commodity categories within the state sector of the socialist economy will it be possible for the financial plan to disappear also, *giving place to material planning alone* (which will also, of course, include planning and accounting of *labour expenditure*).

(Paper published in *Problèmes de Planification*, duplicated "Cahier" No. 5. Centre d'Etudes de Planification Socialiste, École Pratique des Hautes Études (VI^e Section), Paris [Sorbonne], 1965.)

NOTES TO CHAPTER 2

1 This paper has been written on the basis of notes for and reflexions on a series of lectures the author gave in 1963-4 at the École Pratique des Hautes Études (VI^e Section), Paris (Sorbonne).

The following abbreviations have been used: V.E. = *Voprosy Ekonomiki*, S.W. = *Sowjetwissenschaft*, E.P. = *Economic Problems of Socialism in the USSR*, E.G. = *Ekonomicheskaya Gazeta*, S.N.Kh. = *Soviet Narodnogo Khozyaistva* (Sovnarkhoz, or Council of National Economy). [p. 31]

2 In a note written in the margin of Bukharin's book Lenin remarks that the definition the author gives of political economy (the science of a social economy based on production of *commodities*, i.e., science of an unorganised social economy) makes us take "a step back as compared with Engels", who, as we know, defined political economy in the broad sense as the "science of the conditions and forms under which the various human societies have produced and exchanged and, on this basis, have distributed their products".

For our subject, this aspect of the discussion to which Bukharin's book gave rise is obviously of great importance. The views expressed by Lenin about this book were not all, incidentally, so negative as certain commentators were to allege some years later. Some of Lenin's comments will be found in *Zamechaniya na Knigu N. Bukharina "Ekonomika Perekhodnogo Perioda"*, 2nd edn., Moscow, 1932 (see also Vol. XI of the 1928 edn. of Lenin's works).

A commentary on this discussion and its continuations (which therefore gives many other references) will be found in A. Kaufman, "The origin of the Political Economy of Socialism", in *Soviet Studies*, January 1953, pp. 243 et seq. See also Ronald L. Meek, *Studies in the Labour Theory of Value*, London, 1956, especially pp. 256-67. [p. 31]

3 While the idea that commodity categories were destined to disappear in the first phase of socialist society was generally accepted by Marxists before the October Revolution, we know that Lenin was one of the first to renounce this conception and stress the importance of economic calculation even at the level of production-units (cf., particularly, his "[Report to the 9th All-Russia Congress of Soviets, December 1921](#)", *Collected Works*, Russian 4th edn., Vol. 33, pp. 160-1). [p. 33]

4 This is exactly what I do accept. [p. 33]

5 Quotations taken from Lenin's article "[On Co-operation](#)" (1923). [p. 36]

6 *Le Capital*, Costes edn., Vol. I, p. 65. (Eng. edn. of 1938, pp. 50-1.) The German reads "*selbst bewusst*". [p. 41]

7 Doubtless because they could not be, without reference to social *praxis*. [p. 42]

8 The superimposing of collective or communal ownership over individual (family) or personal production can be observed, of course, in a number of economic systems in course of transition, e.g., when primitive communal forms are evolving into exploitation by separate families. [p. 46]

page 112

9 960 in March 1962, about 1,500 after November 1962. [p. 46]

10 These figures refer to different years in the decade 1950-60. They are quoted from the article by L. Berri and Y. Shvikov entitled: "A comparison between production-structures in the USSR and in other countries (on the basis of inter-sectoral balances)", in *V.E.*, 1963, No. 1, trans. in *S.W.*, 1963, No. 8, pp. 818 et seq.; figures taken from p. 826. [p. 49]

11 The expression "production-relations" is used here in the general sense in which Marx used it when he considered "the distribution of the members of society among the various kinds of production" as "the subjection of individuals to certain relations of production" (cf. Marx, *Contribution d la Critique de l'Economie Politique*

- (Contribution to the Critique of Political Economy), Giard edn., 1928, p.327: American and Indian edns., p. 286). [p. 55]
- 12 An account (in French) of the conditions governing the conclusion and execution of contracts in Bulgaria, at the level of the socialist trading organisations, will be found in the article by Dr. Ivan Vlahov (Sofia): "Le système des contrats des organisations commerciales socialistes", in *Bulletin du Centre National pour l'étude des Etats de l'Est*, 1963, No. 3 (Brussels), pp.229 et seq.: [p. 56]
- 13 Dr. Vlahov, in the article already mentioned, calls this "transport in transit". Describing the similar role assumed by the wholesale trading enterprises of the socialist sector as intermediaries between the producers and the retailers, he writes: "In the contractual relations between the producing enterprises and the trading ones, a big part is played by transport in transit, as it is not necessary actually to deliver the goods to the depots of the wholesale trading organisations. The latter present the producing enterprises with lists showing how the goods are to be allotted, stating quantities, varieties and delivery dates for each receiver, and the minimum norms for transport in transit." (*Op. cit.*, p. 238.) [p. 58]
- 14 The first instance implies a temporary degeneration of some of the functions of money, while the second shows that the social use of money has been transcended, that is, it has begun to wither away. [p. 60]
- 15 The significance of this circulation of currency tokens becomes apparent, over and above the field we are studying at the moment, when the economic authority which has received these tokens is able to use them as money, that is, to undertake purchases which do not strictly result from decisions taken at a different level. [p. 62]
- 16 On the Soviet trusts and the *Glavki*, see my book *L'Economie Soviétique* (Paris, 1950, pp. 122 and 126). [p. 64]
- 17 This type of organisation corresponds to some extent to the "Sbyta " and "Prombazy " of the USSR (cf. *op cit.*, pp. 230-2). [p. 64]
- 18 This type of integration is being effected at present in the USSR, at the regional level, through the formation of "Soviet firms" embracing a certain number of enterprises of the same type, the most important of which takes on the leadership of the whole group. Generally speaking, the constitution of such a "firm" is submitted for approval by the *Sovnarkhoz* to which the enterprises are subject. The integration thus achieved is more complete
- page 113
- in some cases than in others. It may even lead to the birth of a new economic and juridical subject, taking the place of the separate enterprises which previously existed. The "firm" so constituted may, finally, take on the functions that were formerly the responsibility of a Branch Department of the *Sovnarkhoz*. When this happens, an economico-technical hierarchy has replaced an administrative one. On the "Soviet firms", see V. Kamenetsky's article "The Soviet firms, results and prospects", in *V.E.*, 1964, No. 5, p. 62. [p. 64]
- 19 Within the capitalist economy this line is marked by the merging of enterprises, with the appearance of buying and selling agencies and management centres. However, capitalist ownership and the contradictory interests of the private owners continually set limits to evolution in this direction, or else, when it does take place, this happens for the exclusive advantage of one particularly powerful financial group, and not necessarily on an economically efficient scale. [p. 65]
- 20 From the standpoint of the relations that a production-unit enjoys with the "rest" of the economy (relations which, on the basis of state ownership, are of decisive importance for the retention or disappearance of the commodity categories) the fact that a production-unit disposes of all its products to one single central sales office may, provided that this organisation is not artificial, have consequences that come very close to the integration of one production-unit into another. [p. 65]
- 21 The break-up of such organic wholes which took place in Cuba immediately after the Revolution was one of the factors in the fall in sugar production. Since 1963 there has been a move to re-establish organisational unity through a National Sugar Commission and regional and local commissions. [p. 67]
- 22 In Romania such agro-industrial combines now exist, integrating into a complex economic unit cultivation, stockraising, tinning-plant, factories making animal foodstuffs, and even shops for distributing the products. [p. 67]
- 23 See [note 17](#). [p. 67]
- 24 A problem which, though important, I cannot deal with for the moment, is that of the limits set to the integration of activities in a particular productive economic complex. A quick observation that can be made, however, is that *economic* integration takes place only in so far as all the activities integrated satisfy a single economic and technical function and complement each other. In other words, the limit to economic integration is determined by the specific nature of the functions to be carried out, and the relevant test is the cost incurred by a particular activity. It is therefore necessary to know whether or not an integrated function is carried out at a lower cost than a non-integrated one. The idea of economic integration leads on to the idea of the "master of the operation": this role is played, in an integrated economic group, by the *essential functional link* in this group, i.e., the activity to which all the others are subordinate.
- The integration of a certain number of activities in an *economic complex* makes the latter collectively responsible, within a socialist economy, for the

fulfilment of a group of tasks. What the plan lays down are the tasks of this complex and the general external conditions for their accomplishment, while the internal conditions are the business of the management of the complex; this management may be carried out through a functional hierarchy of responsibilities. [p. 68]

25 This is not enough to situate this company among the very largest American companies from the standpoint of turnover and numbers employed. Thus, General Motors' turnover in 1963 was \$16,500,000,000 and in that year it employed 640,000 people and invested \$647,000,000 in plant. The net value of the firm's plant on 31 December 1963 was estimated at \$3,000,000,000 and its net working capital at \$3,700,000,000. [p. 68]

26 It must be stressed that private property relations often hinder the appearance of an economic subject when the productive forces are ready for it. This is particularly noticeable in the capitalist setting, where the *limits of enterprises* are determined by *property-relations*, so that enterprises belonging to different owners (joint-stock companies, for instance), but which *potentially form a single economic subject*, continue to function independently of each other. "Mergers" between enterprises sometimes put an end to this type of situation. The presence of the same directors on the boards of different companies which form together a potential single economic subject may also constitute an *attempt* to overcome the difficulties resulting from the obstacles put by private property in the way of the appearance of an economic subject (this cross-membership, these "personal links", may also, of course, be due to reasons quite other than those mentioned here).

In other cases, nationalisation, within the framework of capitalism, may be the only way of overcoming the obstacles caused by private property and preventing the formation of a single economic subject, though the latter is objectively necessary; in the case of the French economy, the formation of the S.N.C.F. (state railways), E.D.F. (state electricity), Gaz de France (state gas) and Houillères de France (state coal-mines) apparently reflects a situation like this.

Under socialism, too, juridical rules may for a time obstruct the appearance of an economic subject. This happened in the Soviet Union, when factories that ought to have been operating in an integrated way, e.g., within a framework of organic co-operation, were dependent on different central ministries which opposed such co-operation. This is what has been called the problem of "administrative compartmentalisation". It must be added that the reorganisation on territorial lines undertaken with the establishment of the *Sovnarkhozy* has given rise to a certain number of cases of "regional compartmentalisation". [p. 72]

27 It should be observed in passing that this requirement implies that, for a given level of economic interdependence it is not possible usefully to go below a certain level of decentralisation. This is connected with the impossibility of "condensing" all the information needed for socially useful decisions in a system of prices such that all the micro-economic decisions

page 115

taken always coincide with the macro-economic ones. This is the other side of the fact that the consequences of certain decisions depend strictly on other decisions which have to be taken simultaneously (the complementary character of certain decisions). This is a complex problem to which I shall come back when I discuss the role of prices in a planned economy. [p. 75]

28 Cf. *V.E.*, February 1962, pp. 114 et seq. [p. 77]

29 In his book called *Sovkhoz, Kolkhoz ou le problème du communisme*, Paris, Editions du Seuil, 1964, René Dumont, who declares in favour of the organising within the collective farms of small, individualised work-brigades, endowed with permanent means of production and financial autonomy, writes on this subject:

"If . . . the workers were directly interested in the overall economic results achieved by their little groups, they would strive to combine immediate efficiency of their work with reduction in its arduousness, and the most rapidly productive detail investments.

The betterment of the many hand-tools, from the improved hoe to the wheelbarrow, and that of handling and digging work, would not be so neglected as it is. On every work-site, the links in the work-chain where productivity was very low would be studied by the persons themselves involved. They would strive to ensure the harmonious development of the equipment as a whole, instead of concentrating on the mechanisation of some parts at the expense of the rest, which in the end proves more expensive." (*Op. cit.*, p. 242.)

René Dumont's proposal amounts to attributing to small work-brigades the status of "economic subjects". The degree of control over the means of production which is possible at such a level does not seem, however, to be sufficient for the brigade to be regarded as a real economic subject. On the other hand, it can certainly possess an "economic personality" and constitute, as we shall see later, *a rung in the ladder of economic accounting*. In any case, recourse to economic calculation and to various experiments is needed in order to decide the level at which the economic personality of a working group is located and that at which the economic subjects are located, as well as the optimum size of both the former and the latter.

In general, the problem of the *resistance to innovation* offered by present-day forms of organisation, both in industry and in agriculture, is causing an important discussion in the Soviet Union at the present time; the February 1964 issue of *Planovoye Khozyaistvo* provides an echo of this discussion. [p. 77]

30 On these questions, see the article by Carlos Rafael Rodriguez, "El nuevo camino de la agricultura cubana", *Cuba Socialista*, November 1963, pp. 71-98. [p. 78]

31 It is well known that internal economic calculation ("business accounting") has been practised for a long time now within Soviet industry. A decision of the Central Committee of the CPSU (B) dated 5 December 1929

emphasised, for the first time officially, the importance of internal economic calculation at the level of workshops and departments of industrial enterprises. Internal economic calculation is, of course, accompanied by the

page 116

drawing up of *internal plans* for the workshops and departments in question.

The perfecting of the practical forms in which internal economic calculation can be carried out is an extremely complex matter. This is clearly to be seen when we analyse the discussions which have taken place on this subject in the Soviet Union. Thus, in the manual entitled *Ekonomika sotsialisticheskikh promyshlennikh predpriyati* (Moscow, 1956), we read:

"It is necessary to mention the 'mistaken' attempts that have been made to introduce mechanically, at the level of the departments of enterprises, the same content and forms of business accounting relationships that prevail between enterprises.

The experience of industrial enterprises shows that the forms of business accounting *within the factory* must be clearly distinguished from those of *business accounting by the enterprise itself*. Workshops, departments, divisions and brigades are merely subdivisions of the enterprise, participating in the total production process of the enterprise, and this is why they cannot appear as independent units in business accounting. They do not figure in economic relationships with other enterprises, banks, financial organs . . . and therefore, so far as workshops, divisions and brigades are concerned, it is not necessary to make business agreements with other enterprises, have a separate bank account, buy raw materials and sell finished products, obtain bank credits and allotments from the budget, or keep accounts of their activity in the form of a departmental balance-sheet showing profits and losses." (*Op. cit.*, p. 314.) (On the problems of internal business accounting in factories, see also Ya. I. Kokhan, *The Organisation of Business Accounting in Factories* (in Russian), Moscow, 1964.)

As regards the capitalist enterprise, we know that, even if the technical departments are not accorded financial autonomy, the forms of management tend towards the keeping of *internal balance-sheets for both forecasting and checking-up*.

It should also be noted that, in a socialist economy, when a certain *level at which business accounting is to take place* is decided on, this may not always necessarily correspond to a permanent working group. Thus, in Cuba, the attempt was made, in certain *Granjas* (*Granja Unidad*, in Havana province) to keep account of receipts and payments for each *field*, though no working group was assigned permanently to any one field. [p. 79]

32 The use of simulation techniques and electronic devices for this purpose will clearly assume increasing importance in the years to come. It will make possible the taking of efficient decisions on problems involving a very large number of variables, without having to undertake actual experiments, using "simulated" experience instead.

To illustrate the sort of problems that simulation techniques can help solve, I will quote the case of the organisation of air traffic. The establishment of a simulator air-traffic control for the whole of Western Europe is at present being considered. It will be given the task of laying down the courses that, in 1970, will have to be followed by the six-hundred-odd

page 117

aeroplanes which will then be moving regularly across the West-European sky, and of fixing the locations of the relevant ground installations, together with the procedures for ensuring take-off and landing by this air-fleet. The simulator will make it possible to trace the effects of the various possible combinations of ground-installations and the relations between these and the aircraft in flight. A simulator capable of doing this necessitates an electronic brain equipped with over 100,000 transistors. [p. 80]

33 The problem of the organs responsible for this co-ordination will be dealt with a little later. [p. 81]

34 It is clear that bureaucratic distortion of the economy can also occur when, *inside a complex economic subject*, the responsibility for taking certain decisions is entrusted to economic authorities which are uselessly high up in the hierarchy and less well placed than authorities lower down for taking completely effective decisions.

Contrariwise, if the responsibility for taking decisions is entrusted to authorities which are not sufficiently high up the ladder to be able to take account of all the necessary information, together with the complementary nature of certain decisions (cf. [note 27](#)), a certain "economic dislocation" will result.

Economic dislocation and bureaucratisation of the economy alike result in a loss of efficiency (in comparison with what could be achieved under other conditions), i.e., in poor co-ordination between decisions, or poor adaptation of means to ends. [p. 82]

35 A point here which is essential and which must never be lost sight of seems to me that, within the framework of a planned economy, every economico-juridical subject in the production sphere is merely a link in the division of labour, and a link destined to be subordinated to an increasing extent to a larger subject (in proportion as the socialisation of the productive forces progresses) of which it thus tends to become, little by little, a mere technical department.

This being so, the setting-up of elected decision-making organs at the level of each production-unit can, as a

rule, only be a measure that holds back the complete socialisation of the means of production and even sets an obstacle in its way, emptying of its content the *public* ownership of these means of production and replacing it, *de facto*, with ownership by a *limited group* of workers. When this occurs, we are not on the road to the building of socialism but on the road to the degeneration of the very conditions essential for social planning.

It must further be stressed that when the aim of production is no longer profit but consumption, the social control of productive activity which is essential would seem to need to be exercised more and more at the level of *consumption*, i.e., of the evaluation of social needs. This being so, proposals aimed at setting up a form of control wielded mainly by the producers *as such* can only hold back the adapting of production to its final aim, namely, social needs.

This does not, of course, rule out control by producers over the conditions

page 118

of production and their active participation in improving the latter. But this improvement means nothing except in relation to *social needs to be satisfied*, so that it is essential that the functioning of the different production-units be conditioned by the size and nature of socially recognised needs.

It must be added, moreover, that with the very development of the productive forces, the time devoted by everyone to productive activity will get less, while the time devoted to consumption and leisure will increase. This, too, points to the conclusion that it is at the level of the organisation of consumption that new forms of social control over production itself must be developed.

Consequently, inside the state sector of the socialist economy, appointment by an authority representing society as a whole of a "director" responsible for managing each economico-juridical subject seems to be the method best adapted to the needs of increasing socialisation of the productive forces, since this socialisation makes every economic subject a mere cog in a division of labour destined to satisfy the needs of society as a whole.

Of course, the fact that each economic subject is headed by a responsible director, appointed by the state power or by whatever other social authority has general oversight of the development and use of the productive forces does not in the least mean that the workers of each economic unit should not be consulted on all the decisions that affect them, that they should not be fully informed about the progress of the unit in which they work, or that they should not have every opportunity to make all possible suggestions and proposals regarding the plan of this production-unit; but the decision making power must not be *atomised*, if the very foundations for the building of socialism and for planning are not to be destroyed.

In very large production-units like, for example, a chemical combine or an iron-and-steel combine, employing tens of thousands of workers, controlling mines, blast-furnaces, rolling-mills, foundries, internal means of transport, and so on, it seems to be essentially at the level of the *basic working groups* that participation by the workers in the drawing up of the plan and in making useful suggestions for its implementation can take place most effectively. At this level it is also possible to set up production committees, committees for introducing innovations, and so on, in which the manual workers, the technical cadres and the managerial personnel all take part.

In production-units where the localisation of the productive forces is still on a very narrow basis, where production cannot be precisely determined by the plan, and in which, consequently, the socialisation of labour is still realised mainly through exchange (as in the case of producer co-operatives), the situation is different from what it is in the big production-units of the state sector. In units like this, appointment of the manager of the co-operative enterprise by the workers' collective does not involve risk that it may prevent the strict subordination of the activity of these units to the targets of the plan, since, in any event, this subordination can only be partial.

To come back to the production-units that belong to the state sector, it

page 119

must be said that the control that the producers should exercise over these production-units is a control that belongs to *the producers as a whole* and not merely the narrow groups of workers who produce within each of these production-units considered in isolation. This control by all the producers over all the production-units of the state sector raises the problem of political democracy, and so of the democratic structure of the state. This is quite a different problem from that of the internal organisation of the different production-units, and we should be going too far beyond our present task if we were to try to study it here.

In any case, democratic functioning of the state and of the ruling party constitutes the condition for genuine socialist planning which must subordinate both the aims of the plan and the means of achieving it to the overall interests of the workers and of society. [p. 94]

36 Naturally, a thorough knowledge of these characteristics and the potentialities inherent in them is only possible given close consultation with the members of these groups and stimulation of their initiative. Thus L. M. Gatovsky, summing up the work of a seminar devoted to "Cybernetics and Planning" (cf. *V.E.*, 1964, No. 6) is justified in stressing that "no centralised optimisation of the plan and no automatising of management detracts from the importance of local initiative . . ." (p. 95). [p. 95]

37 As in the system of planning at two levels proposed by Kornai and Liptak. [p. 95]

38 Cf. J. Vernes, "Plans, bénéfices et primes en URSS" (Plans, profits and bonuses in the USSR), *Economie et Politique*, December 1963, pp. 48 et seq. [p. 95]

39 Of course, as a result of advances in the productive forces themselves and also of the use of electronic methods of calculation, there are grounds for supposing that these difficulties will be overcome in the not too distant future, at least so far as certain branches of activity in the more highly industrialised socialist countries are concerned, but this means that when that time comes, the character of "economic subject" attaching to the production-units functioning in those branches of activity will already be on the way out. [p. 98]

40 Oskar Lange, "How do I visualise the Polish economic model?" (in German), in *Polen von Heute*, 1st February 1957. [p. 100]

41 Though these problems have been for several years the subject of special attention in the Soviet Union, they are far from having been solved. Thus, when, at a meeting of the Council of National Economy of the USSR in spring of 1964, the activities of the *Sovnarkhozy* of the Kharkov and Central Volga areas were examined, it was noted that, though the industrial enterprises of these areas had surpassed, in overall terms, their production plans and other targets laid down in the form of technico-economic indicators (norms of consumption of intermediate products, productivity, etc.), more than 40 per cent of them had failed to fulfil their tasks as regards the particular goods produced, and thereby "the national economy has failed to obtain large quantities of electrical machines, superchargers, goods trucks, spare parts and mining equipment" (cf. *V.E.*, 1964, No. 6, p. 94). [p. 100]

page 120

42 Cf. the article by J. Vernes (see [note 38](#)). [p. 100]

43 These were Liberman's proposals put forward in *Pravda* of 9 September 1962. [p. 101]

44 It is only through "depreciation norms" (which are usually low) that the immobilisation of investment funds by an enterprise may lead to a certain increase in its costs of production. [p. 102]

45 The objection that to authorise this practice would upset the plan forecast is, in the main, of formal validity only, since it is failure to respect qualitative standards (even if this be not measured) that really upsets the plan forecasts. [p. 103]

46 Of course, micro-decisions which affect only one economic subject by itself can take the form of orders emanating from the management of this subject, or from the organ which manages part of this subject, and addressed to a working group or even to a particular worker, but these are orders that concern the internal functioning of the subject and are thus of a technical nature. [p. 105]

47 Article in *Polen von Heute* referred to in [note 40](#), p. 11. [p. 106]

48 It will be observed that, with the development of joint-stock companies, as well as other factors, this "oneness" is already tending to break up: the shareholders are the joint owners of the joint-stock company in which they have invested their capital, but the company is the "owner" of its means of production. The general meeting of the shareholders having, in principle, defined the purpose of the company's activity, it is under the responsibility of the managing director, who is not necessarily a shareholder, that the means of production are put to current use and that some of them may even be bought or sold (in so far as these purchases and sales do not alter the purpose of the company's activity). More important economic decisions (extension of activity, new investments, etc.) are taken by the board of directors, whereas the shareholders' general meeting theoretically takes the decisions with a larger bearing; actually, these decisions are more often than not prepared by the permanent staff of the management under conditions such that the general meeting can do nothing but rubber-stamp them.

This brings out how, in this instance, there is a lack of conformity between the juridical power and the effective capacity of the shareholders' general meeting. What has happened is that the social character of the productive forces has burst some of the limitations imposed by the private ownership of these forces, though this takes place to the advantage not of society as a whole but to that of a small number of especially powerful shareholders. [p. 109]

49 If the impossibility of an exact forecast were confined to the sphere of individual consumption, it would only be in this sphere that the commodity categories had a role to play; so it is not impossible that the commodity categories may cease to exist in the production sphere while continuing to some extent in that of consumption. It is not out of the question, however, that commodity categories may, on the contrary, disappear first in the consumption sphere and only later in that of production. These are problems that, for the time being, can only be mentioned in passing. [p. 110]

From Marx	Other	Reading	On to
---------------------------	-----------------------	-------------------------	-----------------------

[to Mao](#)

[Documents](#)

[Guide](#)

[Part 2](#)
