

Charles Bettelheim

The Transition to Socialist Economy

[Part 2 -- Chs. 3-6]

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Contents

[- Part 2 -]

<u>Chapter Three</u> Forms and methods of socialist planning and the level of development of the productive forces	121
<u>I</u> Delimiting the socialist sector from the private sector under the dictatorship of the proletariat.	122
<u>II</u> The organisation of the socialist sector.	124
<u>1</u> Economic laws and socialism.	125
<u>2</u> Property and production-relations.	127

<u>III</u>	The organisation of exchange.	130
		page 7
<u>1</u>	Individual production and exchange.	130
<u>2</u>	Socialist production and exchange.	132
<u>IV</u>	The organisation of distribution.	137
<u>Chapter Four</u>	On some concepts of the transitional economy	143
<u>I</u>	Abstract and concrete.	144
<u>II</u>	Marxist analysis and pre-scientific "analysis".	144
<u>III</u>	The specificity of Marxist dialectics.	145
<u>IV</u>	Dialectical synthesis and the factor of practice.	150
<u>V</u>	Theory and the contradictions of practice.	152
<u>VI</u>	Science and ideology.	154
<u>Chapter Five</u>	Planning and production-relations	163
<u>I</u>	Possibility and reality.	167
<u>II</u>	Nationalisation, socialisation and the transitional economy.	169
<u>III</u>	The withering-away of the commodity categories.	172
<u>IV</u>	The prospects of technico-economic integration.	175
<u>V</u>	Prices and calculations in labour-time.	177
<u>VI</u>	Ownership and subordination.	178
<u>Chapter Six</u>	The problem of prices in the socialist countries of Europe (Some reflexions on a recent debate)	184
	The price-system in the Soviet Union at the beginning of the	
<u>I</u>	1950s.	186
<u>II</u>	The initial concerns of the participants in the debate about	188
<u>III</u>	prices.	189
	The main proposals.	
<u>1</u>	Prices based on value.	190
<u>2</u>	Prices based on "own costs".	191
<u>3</u>	Prices based on "prices of production".	195
<u>4</u>	Prices based on "world prices".	201
<u>IV</u>	Combinations of price-systems and "two-channel prices".	202
<u>V</u>	Some questions raised by concrete price-fixing.	204
<u>VI</u>	Some consequences of the discussion about prices.	206
<u>VII</u>	The problematic of the discussion on prices.	208
<u>VIII</u>	The theory of value and the planning of prices.	214
<u>1</u>	Value and socially-necessary labour-time.	214
<u>2</u>	Price and value.	218
<u>IX</u>	The specificity of the price problem in the economy of	223
<u>X</u>	transition	227
	Conclusion.	
<u>Appendix</u>	to Chapter Six Bibliography on the problem of prices in	
	the	
	socialist countries of Europe	244

3: Forms and methods of socialist planning and the level of development of the

productive forces

The following paper originated as reflexions on the theoretical aspects of some of the problems now being faced by the economy of Cuba. As these problems are of the kind that necessarily arise in any country that takes the path of building socialism, it has seemed to me that it might be of interest to publish the paper in its original form, with only a few minor changes. It is true that in my paper a number of important questions relating to the building of socialism are not dealt with, because they were not immediately relevant to the Cuban economy. Some of these questions will be tackled elsewhere in this work.

As will be seen, I am leaving aside here the specific historical conditions of Cuba and the USSR, as well as problems other than economic ones, though these must, of course, be taken into consideration when a concrete solution is decided on.

This paper is, then, a paper on economic theory. The latter is an indispensable instrument for the working out of a correct solution of economic problems, even though it is not, of course, sufficient in itself to furnish complete answers to all the questions posed by practical planning and the organisation of a socialist economy.

In order to solve as correctly as possible the problems now facing the Cuban economy, it is necessary to analyse them theoretically. Only on the basis of such analysis can one discover the economic strategy and tactics appropriate to the needs of the present stage, taking into account the specific concrete features of this stage and of the present level of development of the productive forces. Only an analysis like this enables one to define the forms of organisation and methods of work that correspond to the economic strategy and tactics adopted.

While theoretical analysis is objectively necessary, it is also necessary subjectively, for it alone can provide the correct scientific view which is essential in order to guide the actions of the leaders of the Revolution, the political cadres and the working masses themselves. A scientific view is

page 122

essential, too, for the practical implementation of the general line adopted.

Among other things, this should enable them:

(a) To overcome the hesitations that may legitimately be felt before replacing familiar methods of work and forms of organisation by new methods and forms;

(b) To avoid the feeling that they are retreating, on the plane of economic organisation, when they are only renouncing organisational forms that are either outgrown or premature, that is, in either case, inappropriate;

(c) To escape the temptation to imitate methods or forms of organisation which may have produced positive results in different objective conditions, where priorities other than those which prevail today in the Cuban economy had to be observed.

On the theoretical plane, as we know, the fundamental problem consists in treating the

productive forces in conformity with their nature. If one acts otherwise, it is impossible to master the productive forces, and so to direct their development effectively.

Similarly, on the theoretical plane, it is essential to analyse men's behaviour not as if this were ultimately determined by the *idea* they have of their relations between themselves and of their respective roles (which would imply that it is enough to change this idea, through education, to achieve a change in their behaviour in the desired direction -- an idealistic view of the way things happen), but as a consequence of the actual places men occupy in the technical and social division of labour and in a given process of production and reproduction (which also reproduces their needs, while gradually changing them), a process which is itself basically determined by the level of development of the productive forces.

An analysis of this kind enables us to understand that the decisive lever for changing men's behaviour consists in changes effected in production and the way it is organised. Education's role is essentially one of eliminating attitudes and forms of conduct inherited as survivals from the past, and apprenticing people to the new forms of behaviour imposed by the actual development of the productive forces.

It is on the basis of these rules of general analysis, the rules of historical materialism, that we have to solve the theoretical problems set by the evolution of the production-relations, as a result of the progress of the productive forces, together with the problems of delimiting the different forms of property, of the organisation of the socialist sector, of the organisation of exchange, of the distribution of income, and of planning.

I Delimiting the socialist sector from the private sector under the dictatorship of the proletariat

We know that Marx and Engels showed that the development of capitalist economy is accompanied by the appearance of forms of production that are increasingly social, and that it is this increasingly social character of the productive forces that makes socialisation of the means of production an objective necessity.^[1] We know, too, that the founders of scientific socialism

page 123

showed that the social character of the productive forces is more or less strongly marked, depending on the type of economic activity and the nature of the techniques employed.

From these analyses, and his further developments of them, Lenin drew practical conclusions about the delimitation between the socialist and private sectors of the economy during the first phase of the dictatorship of the proletariat, and about the conditions needed for the withering away of the private sector and the integration into the socialist sector of activities at first carried on by the private sector.

Lenin emphasised especially that it is not possible to solve the problems of small and middle-peasant economy without reorganising the economy as a whole, without "a transition from individual, disunited petty commodity production to large-scale social production". And he adds:

"This transition must of necessity be extremely protracted. It may only be delayed and complicated by hasty and incautious administrative and legislative measures. It can be accelerated only by affording such assistance to the peasant as will enable him to effect an immense improvement in his whole farming technique, to reform it radically."^[2]

Lenin thus stresses, in this passage written in 1919, the technical foundations needed for the

changes to be carried out in agriculture, the great length of the transition period, and the assistance to be afforded to the peasant during this protracted transition period.

In 1921, in his well-known report on the substitution of a tax in kind for the requisition system, Lenin returned at some length to these same notions:

"Any Communist who thought the economic basis, the economic roots, of small farming could be reshaped in three years was, of course, a dreamer . . ."

"It will take generations to remould the small farmer, and recast his mentality and habits. The only way to solve this problem of the small farmer -- to improve, so to speak, his mentality -- is through the material basis, technical equipment, the extensive use of tractors and other farm machinery, and electrification on a mass scale . . ."^[3]

Lenin, as we know, drew all the practical consequences from this analysis: since the individual peasants, of both the poor and middle categories, are destined to survive as such for a long time,

"We must try to satisfy the demands of the peasants."^[4]

And he adds:

"How is the peasant to be satisfied and what does satisfying him mean? . . . If we go into this, we shall see at once that it will take essentially two things to satisfy the small farmer. The first is a certain freedom of exchange, freedom for the small private proprietor, and the second is the need to obtain commodities and products. What indeed would free exchange amount to if there was nothing to exchange, and freedom of trade, if there was nothing to trade with!"^[5]

If Lenin eventually insisted on the need to maintain individual agricultural production during a transition period^[6] (so long as the technical

page 124

basis for social agricultural production had not been established, on a scale sufficient to cope with the needs of society as a whole), and on what this implied as regards freedom of local exchange, this was because agricultural production is the hardest branch of the economy to transform technically, both in respect of material conditions and of production-practices; and also because the peasantry is a particularly important class, whose alliance with the working class is essential to the dictatorship of the proletariat. What is true, however, of individual agricultural production is true also of the crafts and of small-scale industrial production, so long as these have not yet developed a high-level technical foundation.

II The organisation of the socialist sector

While the question of how the productive forces should be allocated between the private sector and the socialist sector has long since been the subject of theoretical consideration, this is not true, at least to the same degree, and however surprising it may seem, of the problems posed by the internal organisation of the socialist sector. For this reason, the working out of principles to govern the organisation of this sector in countries taking the socialist road calls for very special attention. The historical experience of the other socialist countries in this sphere needs to be analysed theoretically in order to be fully utilised.

Historically, down to recent years, the internal organisation of the socialist sector in the Soviet Union has been conceived essentially from the standpoint of confronting the most urgent

problems, under pressure from particularly difficult and complex conditions, in situations that were often extremely tense (war communism, reconstruction after the civil war, working out and revising the Five-Year Plans while Fascism was advancing in Germany and a new world war threatened, the war itself, then the reconstruction following that). It was therefore not always possible to adapt this organisation systematically to the requirements of the level of development of the productive forces: it had to be adapted empirically to rapidly changing circumstances.

This resulted in relatively frequent changes in organisation, as regards both the production-units, with their juridical powers, and the nature of the authorities to which these production-units were attached, their decision making powers and so on. The solutions given to these problems obviously have a big effect on the good or bad functioning of the socialist sector, its speed of development, its profitability, its capacity for adaptation to technical progress, and so on.

Since, over a long period, the changes made in the organisation of the socialist sector of the Soviet economy were due above all to immediate practical considerations, they were not at all the outcome of profound theoretical analysis. Only fairly recently have the Soviet authorities begun to proceed differently and tried to take account, in the actual organisation of the socialist sector, of the requirements of the law of necessary conformity between production-relations and the character of the productive forces.^[7]

page 125

In view of the great importance (for the building of socialism in Cuba or any other country taking the socialist road) of finding a correct solution to the problems of organisation, and in view also of the reference it is essential to make, in this field as in others, to the experience of the most advanced socialist countries, we must give some attention to at least a few of the reasons why these problems have still received, even in the Soviet Union, only a partial and not altogether satisfactory treatment.

Some of these reasons are purely practical. The most decisive of them seems to be the mainly administrative form that Soviet planning necessarily assumed over a long period, owing to the very high priority that had to be given to the development of the economic infrastructure, especially to heavy industry.

The Soviet Union was, in fact, an economically backward country where the material foundations of socialist expanded production had to be laid down quickly, by devoting exceptional efforts to the development of Department I of the economy and, more particularly, to the development of the basic industries. In these circumstances, the need for maximum economic efficiency, which ought to be fundamental to organisational work, had rather often to be neglected, if not on the strategic plane, where it was usually respected, then at least on the tactical plane, where it was often relegated to secondary importance, and not only as regards economic organisation.

Other reasons besides this historical one relate to the stage reached in the theoretical elaboration of decisive points of doctrine, and these deserve close attention.

I Economic laws and socialism

One of the most important of these reasons appears to have been an appreciation by certain Marxists which was inadequate, and sometimes even wrong, of the problem of economic laws and contradictions in socialist economy and society.

An extreme instance of a wrong appreciation of this kind is provided by Rosa Luxemburg who, in a "leftist" view of the future, thought that there would no longer be any economic laws in socialist society and political economy would therefore be deprived of its function.^[8]

The same appreciation was made by Nikolai Bukharin in his book on the political economy of the transition period, especially where he writes:

"As soon as we have to deal with an organised national economy, all the basic 'problems' of political economy, such as value, price, profit, etc., simply disappear. . . . This is why there can be a place here for a certain descriptive system and also for a pattern of norms, but none for a science investigating the 'blind laws' of the market, since the market will have ceased to exist. Thus, the end of capitalist-commodity society will also be the end of political economy."^[9]

We know how this opinion put forward by Bukharin (who was then defending "ultra-leftist" views) was refuted by Lenin.^[10]

page 126

For our purpose we shall note two essential aspects of the mistakes made by Bukharin, namely:

(a) Confusion between "economic law" and "law of the market" (which amounts to reducing political economy to a "science of exchange" and not recognising its nature as the "science of social production");

(b) Confusion between the free working of laws and their objective nature.

Mistakes like these obviously make it impossible, too, to understand the conditions under which the law of value operates in the different phases of development of socialist society. It was with regard to the operation of the law of value in socialist society that the wrong theoretical views I have recalled were combated soonest, most vigorously and most systematically. With regard to the practical matter of the internal organisation of the socialist sector, however, the consequences of mistakes like this, or of the same nature, only gradually came to be combated.

It was in his *[Economic Problems of Socialism in the USSR](#)* that Stalin emphasised most strongly that objective economic laws exist in a socialist economy,^[11] and that he showed, though without deducing all the consequences, that these laws also have a bearing on the way socialist society is organised, that is, on the forms that have to be given to the production relations and the technical and social organisation of production. These forms need to be modified gradually, so as to adapt them to the actual development of the productive forces, failing which, instead of helping the progress of these forces, they become a fetter upon it.

In this way, the idea of a possible "contradiction" between productive forces and organisational forms in the socialist sector is put forward, while at the same time the non-antagonistic nature of this contradiction is stressed, since there is no group in society possessing sufficient means to resist the necessary changes -- which does not mean that certain social strata (such as a bureaucratic stratum, say) may not be interested in opposing changes even though these are necessary.

Mao Tse-tung, too, has emphasised the contradictions that may develop in socialist society, and the need to resolve these contradictions correctly. "Many people," he said, "refuse to admit that contradictions still exist in a socialist society. . . . They do not understand that socialist

society grows more united and consolidated precisely through the ceaseless process of correctly dealing with and resolving contradictions . . . The basic contradictions in a socialist society are still those between the relations of production and the productive forces, and between the superstructure and the economic base. . . ."[\[12\]](#)

The fact that only ten years ago it was necessary to refute the thesis that there are no objective economic laws under socialism, and that it was necessary to recall with emphasis the existence in socialist society of contradictions between production-relations and productive forces, shows how backward theoretical thought had become in this sphere, and explains why the problem of the organisation of the socialist sector was posed in scientific terms only belatedly and partially.

page 127

2 *Property and production-relations*

Another theoretical root of the situation described above, and one which is both deeper and even less studied, is the inadequacy, and sometimes the falsity, of the analyses that have been made of the concepts "production relations" and "property". We know that, for Marx, production-relations are the relations that men establish among themselves in the process of social production, and that these relations change with the development of the material productive forces.[\[13\]](#)

The nature of the production-relations is thus determined by the productive forces themselves and by their degree of development. Property in (or ownership of) the means of production is the juridical and abstract expression of some of the production-relations, an expression which has to be changed when the productive forces change, and along with them the corresponding production-relations.[\[14\]](#)

The connexion between productive forces, production-relations and forms of property is far from having always been grasped correctly. We see this, for instance, in Professor Oskar Lange's *Traité d'Economie Politique*. Like many other economists, Lange regards ownership of the means of production as the "basis" of production-relations.[\[15\]](#)

Actually, it is the level of development of the productive forces that determines the nature of the production-relations, relations which may find more or less adequate juridical expression in a given form of property in (ownership of) the means of production. Marx emphasised on several occasions this aspect of the link between production-relations and forms of property.[\[16\]](#)

If we regard as the "basis" of the production-relations what is only a more or less adequate juridical expression and form of them, we are easily drawn into making false conclusions. Such a conception, indeed, prevents us from grasping the real content of socialist property and its different forms. Similarly, it stands in the way of a clear and concrete analysis of socialist appropriation and of the roots of the retention of commodity exchange and the law of value during the first historical period of socialist society. It is essential to spend a little time on these points.

The mistake that consists in confusing the juridical form of property with *effective appropriation* is a mistake that has often been made, and which Lenin had to protest against already in his own time. In his well known article "Against 'Left-Wing' childishness and the petty-bourgeois mentality", he contrasts the juridical act of *nationalisation* with the *socialisation* that implies the effective capacity of society to account and allot,[\[17\]](#) a capacity which is itself bound up with a certain development of the productive forces (which embrace

men themselves, with their level of knowledge).

Here, Lenin is contrasting the juridical form with the concrete production-relations. He is emphasising that this juridical form is empty when these

page 128

relations are such that they do not enable the form to be adequately filled, because *capacity to deal effectively with the means of production and their products* does not coincide with formal ownership.

This brings us back, after a seeming detour, to the problem of the internal organisation of the socialist sector. This organisation is, in reality, only effective if the juridical power to dispose of certain means of production or certain products coincides with the capacity to employ these means of production and these products in an efficient way. The social level at which this capacity is to be found at any given moment obviously does not depend on men's "goodwill" but on the development of the productive forces.

When juridical power and effective capacity do not coincide, when the juridical subject is not really an economic subject, there is a divorce between, on the one hand, *the real process of production and distribution*, and, on the other, *the process aimed at* by those who wield political power without possessing effective capacity. This divorce results in a more or less serious absence of real direction of the economic process by those who are supposed to be directing it, and it usually engenders an overgrowth of regulations and an excessive expansion of the bureaucratic apparatus. These harmful phenomena are themselves bound up with the vain effort being made to try and bridge the gulf separating the formal juridical framework from the actual production-relations, which fail to fill this framework adequately.

Analysed in this way, the problem of the internal organisation of the socialist sector and of the different forms of socialist property can be seen in its full significance.

For example, in the Soviet Union, the collective-farm form of socialist property is better adapted to the level of development of the productive forces at the disposal of the collective farms than the state form would be. This means that, at the present level of development of these forces, socialisation of the production-process is more real within the collective farm framework than it could be if formal ownership of these productive forces were transferred to the state. The latter would then be obliged either to direct more or less centrally a production-process which, in the present state of things, can only be directed and controlled effectively on the spot, or else to delegate its powers of decision-making to a "director" appointed by the state, who would thus take upon himself the functions that are carried out at present by the collective-farm community and its organs. In fact, such a transfer would cause a setback to socialisation (that is, to control by the community over the production-process) rather than advancing it further. When one speaks of the "higher" forms of socialist property, meaning state ownership, this has only (in relation to production-processes which are not yet ripe for this type of ownership) a strictly *historical* significance, as a provisional view of future development, and has no immediate relevance to the actual level of development of the productive forces. This is the very reason why it is necessary to retain the so-called "lower" forms. Their existence is thus not to be explained, as some would

page 129

have it, by the "conservative mentality" of the peasants but by the reality of the actual production-relations.

The sale to the collective farms of the agricultural machinery at the disposal of the Machine and Tractor Stations in the Soviet Union provides us with an example of transition from state property to collective-farm property, something that from the formal standpoint implies a "setback" to the degree of socialisation of these means of production. This "setback", however, may signify in reality a step forward in effective socialisation, if it entails, in practice, an advance in the economic efficiency with which society uses the means of production thus transferred.^[18]

It is always a matter, when one wants to ensure maximum conformity between juridical authority and capacity to use, of deciding what type of group has the right to control and direct certain production-processes, and this is something that cannot be done correctly without taking account of the nature of the productive forces involved in the particular process.

The same principle, of course, has to govern the allotment of juridical powers, over particular means of production or particular products, among the various governmental organs of the socialist state or the various economic authorities of this state. (Thus, in the Soviet Union, the *Sovnarkhozy* are regional authorities of the state power, whereas a Soviet enterprise is a state *economic* authority.)

The assignment of juridical powers to certain social authorities may be expressed in the existence of different forms and levels of state socialist property.

Thus, while the Soviet state owns certain enterprises, the latter may themselves own their means of production and their products, in so far as they at the same time possess certain juridical powers and the corresponding effective capacity to dispose. The "oneness" of property-right which is characteristic of bourgeois law is thus broken up. It is important to realise that things may, and indeed must, be so during a whole phase of development of socialist society -- not only from the standpoint of the organisation of the socialist sector but also from that of understanding what socialist trade is and what role the law of value plays. I shall come back to this point later.

It follows from what has been said above that if juridical power to dispose of certain means of production is granted to an authority which does not possess, at the given level of development of the productive forces, effective capacity to dispose of them, then this arrangement will mean that there is insufficient social control over these productive forces. This is what has happened in Cuba in those branches of industry where the essential juridical power to dispose has been entrusted to the *Consolidados*, whereas the production-units alone constitute genuine economic subjects enjoying effective capacity to dispose.

What can rightly be called a "production-unit" (and what constitutes a genuine economic subject) varies, of course, depending on the level of development of the productive forces. In certain branches of production,

page 130

where the integration of activities is sufficiently advanced, it is the branch itself that may constitute a "production-unit". This may be so, for instance, in the case of the electrical industry, on the basis of the interconnexion that exists between power stations, since this makes possible centralised direction of the entire branch.

It must further be observed that, depending on the type of use that is made of certain means of production, effective capacity to dispose of the latter may be possessed by different authorities, whence also the possibility of superposition of different juridical powers over the same means of production.

These are the various considerations that have to be kept in mind in defining the place of each of the different forms of socialist property, the rights of the enterprises, their ties with the central economic organs, the ways in which current economic management is carried on, the forms and rules of economic planning, and so on.

III The organisation of exchange

The organisation of exchange, and consequently of the distribution of products, may appear to be dominated by the way production is organised technically. Actually, the organisation of exchange is an integral part of the organisation of the social reproduction process, which consists at once of production, consumption, circulation and exchange of products and activities.

In a socialist economy which includes, at one and the same time, both petty individual production and social production, the organisation of exchange must necessarily assume a different form depending on the type of production. Theoretical study is also needed here of the question of how to organise exchange in the way best adapted to the relations established between the development of the productive forces and the satisfaction of recognised social needs.

1 *Individual production and exchange*

That the existence of individual production under the dictatorship of the proletariat necessarily entails the retention of the categories "commodity" and "money" is nowadays universally accepted. That the existence of these categories necessitates also the existence of a market and of a certain degree of freedom of exchange is, however, sometimes denied. This is so at the present time in Cuba, and it was also the case in the Soviet Union at the end of the "War Communism" period, during which circumstances had obliged the Soviet power to abolish freedom of exchange and reduce the functions of money to the minimum. At that time there were quite a few Communists in the Soviet Union who believed that abolition of freedom of exchange was compatible with the retention, which was then unavoidable, of individual production, and that this would not hinder the development of the productive forces, and so the consolidation of the dictatorship of the proletariat.

page 131

We know how Lenin answered those who thought in this way and how he declared that a certain degree of freedom of exchange was necessary, given the existence of individual production -- a measure of freedom that should be controlled and limited so that it would serve the interests of the dictatorship of the proletariat and not affect the latter adversely.

Lenin said that, given the basis of individual production,

". . . here you cannot avoid local free exchange . . ." [\[19\]](#)

and added, as the consequence following from this:

"We can allow free local exchange to an appreciable extent, without destroying, but actually strengthening, the political power of the proletariat." [\[20\]](#)

That a certain freedom of local exchange is necessary not only as a mere temporary measure but for a whole historical period is shown by the fact that a collective-farm market still exists today in the Soviet Union. Its continued existence confirms the need for a local agricultural market as corollary to the existence of private agricultural production -- a form of production

which, as regards certain important foodstuffs, is responsible for meeting a far from negligible proportion of consumption in the Soviet Union today.

Similarly, the recent experience of People's China has shown that the re-establishment of some individual agricultural production has had to be accompanied by the re-establishment of local markets, and that this has contributed substantially to a marked improvement in the supply of food to the towns and a new rise in industrial production.^[21]

Thus, theory and practice alike confirm the need for a certain degree of freedom of exchange as a corollary of the existence of individual production.

The concrete problems which it is of the highest importance to resolve correctly concern the limits to be set to this exchange and how to subordinate it to the interests of the development of socialist society. These problems can be settled only through studying the international experience of the socialist countries, and through day-to-day practical experience,^[22] analysed in accordance with the methods of dialectical materialism.

The foregoing remarks and references show, in any case, that the problem of re-establishing in Cuba a local market for agricultural produce results, so far as a certain historical period is concerned, from the nature of the present productive forces of Cuban agriculture.

This is the perspective, too, in which should be conceived the transition of private agriculture towards socialist forms of production, principally by way of co-operative organisation in the countryside.

While the organisation of exchange of goods resulting from individual production gives rise mainly to problems of a *concrete* character, this is not the case with the organisation of exchange of goods produced by the socialist sector, or circulating within this sector, for important *theoretical* questions arise in this field.

page 132

2 *Socialist production and exchange*

Here, indeed, the very nature of the problems has often been obscured by a mistaken view of things which has centred analysis not upon the real production-relations but upon abstract juridical categories like the concept of "uniform state ownership", or the general concept of "social ownership".

If to such abstract categories there already corresponded concrete production-relations such that an ultimate and single social authority, that is, a single and solitary juridical subject, was effectively capable of disposing effectively of all the means of production, deciding how they should be used and what should become of their products, then the latter would have completely ceased to be commodities, all the commodity categories (money, prices, etc.) would have disappeared, and there would be no disadvantage in using the concept of social ownership in order to express the complete domination of society over its products and the correlative disappearance of the commodity categories.

In fact, however, such disappearance of the commodity categories presupposes a degree of socialisation of the process of social reproduction much more advanced than exists today. Only on the basis of this more advanced socialisation of the reproduction process will it be possible for the different forms of social ownership that exist today in all the socialist countries to give place to full and complete ownership by society as a whole, which alone will permit the

commodity categories to wither away.

We know that, as regards present-day collective-farm production, Stalin analysed this withering-away of the commodity categories in terms of raising collective-farm property to the level of public property and the gradual replacement of commodity-circulation by "a system of products-exchange, so that the central government, or some other social-economic centre, might control the whole product of social production in the interests of society".^[23]

The idea of the capacity of a social-economic centre to handle all the products in the interests of society is here seen as decisive. However, society's evolution towards communism absolutely rules out for the future that this social and economic centre be formed by *the state* (or, *a fortiori*, by an economic subject like Bukharin's "single state trust"). This centre will be society itself, functioning through its central directing economic organ -- which does not, of course, mean that this centre would act without "relay stations", where very many decisions would have to be taken. In a situation like this, with integration of the process of social reproduction, and organic co-ordination of its various phases, the commodity categories will thus have vanished -- which will not mean, however, that objective economic laws will have vanished, but only the laws of commodity economy.

In any case, at the present time, even in the most advanced socialist countries, the process of social production and expanded reproduction is not yet a process which has been completely integrated and organically

page 133

co-ordinated, with the different parts of it strictly governing each other, and therefore capable of being fully dominated by society.

The development of the productive forces has indeed brought about an increasing *interdependence* between the various economic activities, the different elementary processes of production. It is precisely this interdependence, this *beginning of integration*, that has made socialist economic planning (the only real planning) necessary, and has given its true content to social ownership of the means of production (without which no economic planning is possible).

However, the process of integration of the various elementary processes of production is only at its beginning. Each of these processes is still developing in a relatively independent way. The appropriation of nature by man is therefore taking place in centres (production-units) which are distinct and separate, and between which complex, manifold and more or less regular relations are established. Each of these production-units constitutes, therefore, a centre for the appropriation of nature which has its specific character, its own reality.

While the interdependence of these centres reflects the social character of production and as already noted, gives real content to the social ownership of the means of production, the separate and distinct character of these centres determines the juridical form of the ownership of the means of production assigned to each of them.

Under these conditions, reasoning which starts only from the general concept of "state ownership", to designate the various higher forms of socialist property, and which seeks to reduce the latter to a uniform reality, comes up against insuperable difficulties, especially when analysing the circulation of commodities within the state socialist sector, socialist trade, the role played by money, and so on.

An example of these difficulties is provided by some of Stalin's analyses in his work, already quoted, on *Economic Problems of Socialism in the USSR*. Here, as we know, Stalin tries to

explain the need for commodity relations within Soviet socialist society on the basis of the existence of two forms of socialist property: property of the whole people (that is, of the state) and property of more limited groups (essentially, collective-farm property).[24]

By starting from the juridical sphere and analysing the problem on this basis, Stalin is led to deny the essentially commodity character, at the present time, of exchange between state socialist enterprises, and to render incomprehensible theoretically the nature of the buying and selling carried on between state enterprises, the nature, in this economy of money, prices, business accounting, financial autonomy, etc. These categories are thus deprived of all real social content, and appear as abstract forms or technical procedures which are more or less arbitrary, and not as the expression of those objective economic laws the necessity of which is at the same time stressed by Stalin himself.[25]

Here we see once more what a theoretical cul-de-sac one can get into when, in analysing a social process, one starts not from the concrete pro-

page 134

duction-relations but from a juridical concept treated abstractly, and, *a fortiori*, when one makes this concept the "basis" of the production relations.

In reality, the method of dialectical materialism requires that the starting point for analysis be the social relations that constitute the other side of the process whereby man appropriates nature (that is, the production-relations and the actual modes of appropriation). If we approach the matter this way, and take into account that at the present level of development of the productive forces, in even the most advanced socialist society, this appropriation-process is *not yet a single process*, wholly dominated by society, but is still a multiform and fragmented process, divided between a number of centres of activity and a number of elementary appropriation processes which it is only beginning to be possible to co-ordinate on the scale of society (through socialist planning), then we realise thereby the inevitability of exchange between these centres of activity, and the actual social and economic content of the different forms of socialist property, of socialist commodity exchange, the role played by money inside the socialist sector, and so on.

When an analysis is made on these lines, the different forms of socialist property no longer appear as the reason that can "explain" the existence of commodity relations in the socialist sector (which would amount to explaining economic categories by a certain juridical superstructure). On the contrary, it is the existence of certain production-relations that explains the commodity relations and the juridical form they have to assume.[26]

From that point onward we also realise that in proportion as the development of the productive forces leads to an *effective integration* of the production-processes, an *organic co-ordination* of these processes, which increasingly become a single process, the field of commodity relations shrinks, and the sphere of activity of the commodity categories withers away. When this evolution is complete, the planning and management of the economy can be directed by a single social authority (which does not necessarily mean a single juridical subject).

So long as this stage has not been reached, socialist planning takes charge of the conscious direction of all the increasingly numerous processes of social reproduction which are beginning to be co-ordinated (because objectively they control each other), while socialist economic management takes charge of the conscious direction of the various processes that are the responsibility of the different economic subjects. The latter are thus linked together both by the plan, in so far as they objectively control each other, and by commodity relations, in so far as

they are still relatively independent.

In recent years the increasingly complex character of the Soviet economy and the other socialist economies has made it clear that the idea of a rapid withering away of the commodity categories and of socialist commodity exchange was premature, and this is why more attention has had to be given to these categories, to the relative autonomy of each socialist enter-

page 135

prise, and so on. At the same time, the increasing integration of the production-processes *in the technically most highly developed branches* has created new possibilities of managing these branches by electronic means. This enables us to understand better the ways by which it will be possible to develop the *a priori* co-ordination of economic activities, thus bringing about the final disappearance of the commodity categories.^[27]

The consequences or implications of the foregoing analysis are many. I shall mention here only those which seem the most important in relation to the planning and organisation of the socialist economy.

(a) In connexion with what has been said, it will be realised that, with the present level of development of the productive forces and integration of the elementary processes of production, the labour expended in production cannot yet be, in its entirety, *directly social* labour.

In other words, though the plan lays down the amount of labour to be expended in the different branches of production, it can still do this only approximately, and it is only after the event that it is possible to know to what extent the labour expended on the different kinds of production was, actually and wholly, *socially necessary labour*.

The existence of commodity categories and money inside the socialist sector means, in fact, that it is still to some extent through the market that the *socialisation of labour* is effected.

The socialist market which serves as controller and medium of the socialisation of labour is already very much modified, in the way it works, by the development of socialist production-relations. Thanks to these socialist relations, the producers are no longer linked together *only* through their products (which, in a pure commodity society, meant the domination of the producers by their products, commodity-fetishism, and so on), they also maintain *direct* links, as *associated* producers. As such, they endeavour to co-ordinate their efforts in advance, and they are able to achieve this co-ordination, to some extent, through the economic plan. The latter lays down the fundamental targets of economic and social development and therefore leaves only a subordinate role to be played by the market. This is possible because, over and beyond the elementary processes of appropriating nature (processes which are still separate from each other, and which therefore continue to oppose the producers to each other to some extent), a beginning has already been made in integrating the process of social production. With the elimination of private ownership of the means of production and the introduction of planning, this social process which is becoming integrated is no longer broken up, no longer fragmented as it is under capitalist conditions, which maintain in being relations of production and of property which have been outgrown by the development of the productive forces.

(b) What has been said means, too, that at the present stage of development of the productive forces, even in the most advanced socialist countries, society is not yet able fully to know the state of *social needs* (including the needs that arise in the sphere of material production itself) and to determine

page 136

politically in a fairly exact way those needs that will be accorded recognition in the future.

What follows from this is that it is impossible to proceed in a satisfactory, that is, an efficient, way to carry out an allotment of the means of production, or of products in general, *in advance*, and that there is need for *socialist trade* and state commercial organisations. Hence, further, the role of money within the socialist sector itself, the role of the law of value and of a price system that cannot reflect *only* the social cost of the different products but has *also* to express the ratio between the supply of and demand for these products, and perhaps to ensure a balance between supply and demand, when the plan has not been able to ensure this in advance and to use administrative measures to achieve this equilibrium would compromise the development of the productive forces.

(c) The foregoing also means that each production-unit (that is, each social link within which an elementary production-process is going on) has to be allowed a certain *freedom of manoeuvre*. This must enable each production-unit to cope with whatever has not been foreseen, to make the best use, for the good of society, of the resources under its control, since these resources can be properly used only to serve society's real needs, and the latter are not necessarily those that the plan has sought to foresee. This freedom of manoeuvre must, at the present stage of development of the productive forces, relate both to some elements in the programme of activity of each production-unit and to some of the means to be employed in carrying out this programme.

The practical problem is to lay down limits to this freedom of manoeuvre which will ensure that it *serves* the real aims of the plan (the building of socialism, the harmonious development of the productive forces and the satisfaction of society's needs). This practical problem can be solved correctly only by experience, interpreted by theory.

Here it is important to stress that if adequate freedom of manoeuvre is *not* allowed to each production-unit, and an attempt is made to determine in advance, in a detailed way, the activity that each is to carry on, together with the conditions of this activity, the result, in the present state of things, will be an enormous wastage of labour-power and products.

Often, in fact, in planned economies where the necessary freedom of manoeuvre has not been granted to the production-units, this wastage is limited to some extent through the *exchange* effected by the production units among themselves, formally in violation of the plan but actually, more often than not, in order to achieve the real aims of the plan. This is how the objective necessity of economic laws makes itself felt. What is bad in such cases is that, instead of these laws being used consciously, which is the principle of the plan, they are allowed to operate spontaneously.

(d) It is this combination of the retention, for an historical period, of the commodity categories, even inside the socialist sector, with the freedom of manoeuvre that has to be allowed, within certain limits, to each produc-

page 137

tion-unit, that gives meaning to the *accounting autonomy* of each production unit, the "*business accounting*" that takes place in each production-unit and the possibilities of *self-financing* that each unit should possess. These categories, rules and possibilities are bound up with a particular stage of the productive forces. They reflect the conditions and objective requirements for the working of the socialist economy at its present stage of development. Failure to respect them can only hinder the proper functioning of the economy and put difficulties in the way of

planning itself.

IV The organisation of distribution

It is a commonplace of Marxist analysis to recognise that the relations and modes of distribution are determined by the actual organisation of production.^[28] From this it may be concluded that if commodity relations still survive within the socialist sector, at the present level of development of the productive forces, these commodity relations must also still permeate the production-relations. This is ultimately one of the reasons why, at the present time, in all the socialist economies, this distribution also takes place by way of the commodity categories (money and wages).

This is a phenomenon that Marx did not foresee, as is shown, for instance, by the analysis he makes in connexion with his *Critique of the Gotha Programme*. In the passage referred to, Marx envisages an allotment of products by means of "labour certificates", and not through the mediation of a true currency. If Marx imagined the problem of distribution being solved like this in the first phase of socialist society, this was doubtless because at the time when he wrote, it seemed easier for society to dominate in an integrated way the entire social process of production and reproduction than was really the case, or than is still the case today.

Marx's realism was not at fault, however, when he foresaw that, in the initial phase of socialist society, goods would have to be allotted in accordance with work done and not in accordance with needs. Nevertheless, what then appeared to Marx as a requirement essentially bound up with the "survival" of certain norms of bourgeois right can be understood today, in the light of experience, as a consequence of the retention of commodity categories.

Since, however, the producers in socialist society are not related merely through their products, but also maintain direct human relations, as associated producers striving to co-ordinate their efforts in advance, and able to do this better and better thanks to the socialisation of the productive forces, the commodity categories no longer dominate either society or the individuals composing it, and the content of these categories is profoundly modified.

Thus, wages in socialist society are no longer the "price of labour power" (since the producers are no longer separated from their means of production but, on the contrary, are their collective owners), but the way in which part of the social product is allotted. At the same time, this allotment continues to be carried out through the category "wages"

page 138

because the labour contributed by each individual is not yet directly social labour.

Nevertheless, society's increasing mastery over its productive forces enables it to distribute an ever larger share of the social product no longer in proportion to work done, but in proportion to needs, and not through money categories but in kind. The gradual disappearance of the norms of bourgeois right from the sphere of distribution has thus already begun, and it will proceed faster and faster with man's increasing domination of the process of social reproduction and the extinction of commodity relations and categories.

While the retention of commodity relations and categories, and of all the superstructures connected with this retention, explains the need to relate the payment made to each individual to the quantity and quality of his labour (what is called the "system of material incentives"), the transformation of these relations and categories, and their gradual extinction, which is already under way, with the correlative superstructural changes, explain the increasingly important role given to behaviour inspired by economically disinterested motives.

The respective places occupied by the different kinds of incentive is thus not to be determined arbitrarily, in the name of some moral vision or some ideal of socialist society -- it has to be related to the level of development of the productive forces, among which men themselves are included, along with their knowledge, their education, and, in general, their culture.

January, 1964.

NOTES TO CHAPTER 3

- 1 In general, the bond that links the level of development of the productive forces with the character of the production-relations and the property relations corresponding to them is referred to nowadays by the expression: "the economic law that the relations of production must necessarily conform with the character of the productive forces". This expression, which was formulated for the first time by J. V. Stalin, was used by him in his book *Economic Problems of Socialism in the USSR* (page 8: Eng. edn., pp. 9-10). [p. 122]
- 2 V. I. Lenin, "[Economics and Politics under the Dictatorship of the Proletariat](#)", quoted from *L'Alliance de la Classe Ouvrière et de la Paysannerie*, Moscow, 1957, p. 675. (Eng. version from *Collected Works*, Vol. 30, pp. 112-13.) [p. 123]
- 3 *Ibid.*, pp. 742-3 (Eng. version in *Collected Works*, Vol. 32, pp. 216-17 [Transcriber's Note: See Lenin's [Tenth Congress of the R.C.P.\(B.\)](#). -- DJR]). [p. 123]
- 4 *Ibid.*, p. 742 (Eng. version, *ibid.*, p. 217). [p. 123]
- 5 *Ibid.*, p. 743 (Eng. version, *ibid.*, pp. 217-18). [p. 123]
- 6 We know that Lenin recognised this necessity not only in the case of the backward economy of Russia in 1921 but also in that of the "advanced

page 139

capitalist countries" (cf. "[Preliminary Draft Theses on the Agrarian Question](#)", a paper prepared for the Second Congress of the Communist International, *ibid.*, pp. 728-30 Eng. version in *Collected Works*, Vol. 31, pp. 158-61). [p. 123]

7 It is worth emphasising here the evolution of Stalin's thinking on this question. In 1938 he wrote, about socialist society:

"Here the relations of production fully correspond to the state of the productive forces, for the social character of the process of production is reinforced by the social ownership of the means of production." (J. V. Stalin, *Matérialisme dialectique et matérialisme historique*, p. 27 of the French edn. of 1956, Editions Sociales: Eng. version from [Short Course of History of the CPSU \(B\)](#), 1938, p. 126. [Transcriber's Note: Also available in English as a separate text: "[Dialectical and Historical Materialism](#)". -- DJR])

In his work *Economic Problems of Socialism in the USSR* (1952), however, Stalin wrote:

"But it would be wrong to rest easy at that and to think that there are no contradictions between our productive forces and the relations of production. There certainly are, and will be, contradictions, seeing that the development of the relations of production lags, and will lag, behind the development of the productive forces. Given a correct policy on the part of the directing bodies, these contradictions cannot grow into antagonisms, and there is no chance of matters coming to a conflict between the relations of production and the productive forces of society. It would be a different matter if we were to conduct a wrong policy. . . . In that case conflict would be inevitable, and our relations of production might become a serious brake on the further development of the productive forces." (*Op. cit.*, pp. 56-7: Eng. edn., p. 75.)

[p. 124]

8 Thus, Rosa Luxemburg wrote:

". . . political economy, as a science, has completed its role from the moment when the anarchical economy of capitalism gives place to a planned economy, consciously organised and directed by the working community as a whole. The victory of the working-class of our time and the achievement of socialism thus signify the end of political economy as a science." (*Einführung in die Nationalökonomie, Ausgewählte Reden und Schriften*, Berlin, 1951, Vol. I, p. 491.) [p. 125]

9 Quoted from the German translation of Bukharin's book (*Ökonomik der Transformationsperiode*, Hamburg, 1922, p. 2). [p. 125]

10 See note 2 to Chapter 2 of this book. [p. 125]

11 ". . . the laws of political economy under socialism are objective laws." (Stalin, *op. cit.*, p. 10: Eng. edn., p. 12.) [p. 126]

12 Mao Tse-tung, *De la contradiction au sein du peuple* ([On the correct handling of contradictions among the people](#)), Peking, 1957. [p. 126]

13 Thus, Marx wrote:

"In the social production which men carry on they enter into definite relations that are indispensable and independent of their will; these relations of production correspond to a definite stage of development of

their material powers of production." (Marx, *Contribution à la critique*

page 140

de l'économie politique (Contribution to the critique of political economy), trans. Laura Lafargue, Editions Marcel Giard, 1928, pp. 4-5: Eng. version from New York and Calcutta edns., p. 11.) [p. 127]

14 Thus, immediately after the passage quoted above, Marx goes on:

"The sum total of these relations of production constitutes the economic structure of society -- the real foundation on which rise legal and political superstructures and to which correspond definite forms of social consciousness. . . . At a certain stage of their development, the material forces of production in society come in conflict with the existing relations of production or -- what is but a legal expression for the same thing -- with the property relations within which they had been at work before." (*Ibid.*, p. 5: Eng. version, *ibid.*, pp. 11-12.) [p. 127]

15 Cf. Oskar Lange, *Economie Politique*, Vol. I ("General problems"), Paris, 1962, p. 18. [p. 127]

16 See, in particular, his *Introduction to the critique of political economy*, pp. 326-30 of the translation by Laura Lafargue of the *Contribution*. See also the draft of Marx's letter to Vera Zasulich in which Marx stresses that it is the need for collective work in the primitive community that underlies the common ownership of the land, and not the other way round (Vol. XXVII of the Russian edn. of the works of Marx and Engels, p. 681). [p. 127]

17 Cf. Lenin, *Oeuvres complètes*, 4th edn., Vol. 27, pp. 300-1. [*Transcriber's Note*: See Lenin's "'Left-Wing' Childishness and the Petty-Bourgeois Mentality". -- DJR] [p. 127]

18 It should not, of course, be concluded from these observations that the ways in which the means of production are allocated, with the corresponding property-forms, must be determined *exclusively*, in the period when socialism is being built, by considerations related to efficiency in the use of the various means of production.

In order to ensure the building of socialism, immediate economic efficiency is clearly not the only thing that has to be kept in mind -- far from that, since:

". . . politics must take precedence over economics. To argue otherwise is to forget the ABC of Marxism." (Cf. Lenin, "[Once again on the Trade Unions, the current situation, and the mistakes of Trotsky and Bukharin](#)", *Works* (in Russian), 3rd edn., Moscow, 1937, p. 126: Eng. version from *Collected Works*, 4th edn., Vol. 32, p. 83.)

It is because nationalisation, under the dictatorship of the proletariat, means the ending of the control exercised by the capitalists over the means of production thus nationalised, that, in certain circumstances, imperfect utilisation of some means of production by the proletarian state (through lack of sufficient conformity between the juridical authority possessed by this state and its real capacity) may be preferable (or even unavoidable), from the standpoint of the building of socialism, as compared with utilisation of these same means of production by another social class, though this may, at the given moment, be more efficient.

Similarly, a relatively less efficient utilisation (from the immediate standpoint) of the means of production controlled by the Machine and Tractor Stations was regarded as preferable to handing over these means

page 141

of production to the collective farms, in the early years of collectivisation.

In general, it can occur that the degree of social development of the productive forces of a particular industry, or a particular industrial enterprise, may not "justify" their nationalisation, so far as immediate economic efficiency is concerned, and yet this may be *fully justified* from the standpoint of reinforcing the dictatorship of the proletariat when the latter requires that the economic basis of the power of the hostile classes be broken.

Conversely, when the dictatorship of the proletariat is sufficiently firm not to need to nationalise productive forces which are not yet highly socialised, there may be no justification for carrying out such nationalisations, especially when the proletarian power has sufficient levers at its disposal to compel these means of production to serve the purposes of the building of socialism, while retaining what are still, for the time being, the most efficient conditions for the utilising of these means of production. [p. 129]

19 Lenin *L'Alliance de la classe ouvrière et de la paysannerie*, p. 745 (Eng. version, *Collected Works*, Vol. 32, p. 219 [*Transcriber's Note*: See Lenin's [Tenth Congress of the R.C.P.\(B\)](#)]. -- DJR). [p. 131]

20 *Ibid.*, p. 746 (Eng. version, *ibid.*, p. 220). [p. 131]

21 *Pékin Information*, 2nd September 1963, pp. 16-17. [p. 131]

22 In his report to the Tenth Congress, Lenin refused to lay down what should be the limits to freedom of exchange. He declared that it was necessary to establish the principle that there must be limits, but beyond that he would not go, saying:

"Try one thing and another, study things in practice, through experience, then share your experience with us, and let us know what you have managed to do. . . ." (*Op. cit.*, p. 749: Eng. version, *Collected Works*, Vol. 32, p. 222.) [p. 131]

23 Stalin, *Economic Problems of Socialism in the USSR*, p. 56 (Eng. edn., p. 75). [p. 132]

24 This explanation is set out at length in Point 2 of the "Remarks on economic questions connected with the

November 1951 discussion", the one entitled: "Commodity production under socialism". Stalin's attempt at an explanation which is offered here refers essentially to the attitude of the collective farms. Thus, he writes:

"The collective farms are unwilling to alienate their products except in the form of commodities, in exchange for which they desire to receive the commodities they need. At present the collective farms will not recognise any other economic relation with the town except the commodity relation-exchange through purchase and sale. Because of this, commodity production and trade are as much a necessity with us today as they were thirty years ago, say, when Lenin spoke of the necessity of developing trade to the utmost." (*Op. cit.*, p. 16: Eng. edn., pp. 19-20.) [p. 133]

25 The difficulties resulting from this way of tackling the problem stand out very clearly in the section of *Economic problems* . . . entitled "Reply to Comrade Alexander Ilyich Notkin". In this passage Stalin asks:

page 142

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

"For two reasons. Firstly, 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. But that is only the formal aspect of the matter. Secondly, it is needed in order, in the interests of our foreign trade, to conduct sales of means of production to foreign countries. Here, in the sphere of foreign trade, but *only in this sphere*, our means of production really are commodities, and really are sold (in the direct meaning of the term)." (*Op. cit.*, pp.44-5: Eng. edn., pp. 58-9.)

It is clear that the second part of this reply does not in the least explain why "we speak of the value of means of production" *inside* the Soviet Union: nor does the first part provide any explanation, since what we want to know is, precisely, *why* "this is needed for purposes of calculation". [p. 133]

26 This analysis coincides to some extent with that made by O. Sik in his book *Economics, Interests, Politics* (in Czech), Prague, 1962. [p. 134]

27 More and more Soviet economists are coming to the opinion that transition to more detailed planning, based on the use of electronic machines, will be made possible by the increasing integration of activities within the different branches. This integration makes it possible to utilise mathematical methods of management, and electronic machines, *first of all* at the level of the production-units and branches, and only later at the level of the national economy as a whole. This does not, of course, rule out the use of mathematical methods and electronics even now at the level of national economic planning; but for the moment such use can only be very limited, must lead to successive repetition of processes, and cannot serve as the sole or even principal basis for present-day socialist planning. See on this subject the writings of J. Kornai and Th. Liptak, *Two-Level Planning*, a study in programming, prepared at the Calculation Centre of the Hungarian Academy of Sciences (roneoed document in English, Budapest, 1963). [p. 135]

28 "The subdivisions and organisation of distribution are determined by the subdivisions and organisation of production. Distribution is itself a product of production, not only in so far as the material goods are concerned, since only the results of production can be distributed: but also as regards its form, since the definite manner of participation in production determines the particular form of distribution, the form under which participation in distribution takes place." (Marx, [Introduction à une critique de l'économie politique](#), p. 325: Eng. edn., p. 284.) [p. 137]

page 143

4: On some concepts of the transitional economy

Nowadays there are a number of countries engaged in building socialism, and this constitutes an experiment on a huge scale that is of concern to a thousand million human beings directly, and indirectly to the whole of mankind.

Life itself has shown how complex are the problems posed by the building of a new world

which must not merely put an end to the exploitation of man by man but also ensure man's increasing control over nature and social development. Thus, men are to be gradually freed from the constraints and limitations that have weighed upon them since human society began. In this way what the founders of scientific socialism called the "pre-history of mankind" will come to an end.

In face of the rich experience accumulated by the countries which have taken the road of building socialism and which are today in different stages of an economy of transition towards this new social mode of production, it is essential not to remain satisfied with repeating general formulae that were worked out before there had been any social experience of the transitional economy. This is necessary, too, when confronted with the distortions that Marxism has suffered under the influence of various tendencies in bourgeois thought (positivism, empiricism, and so on) or under that of dogmatism or idealism. The time has come when it is essential to make use of the method of dialectical materialism, in order to try and grasp the theoretical meaning of a number of practices connected with the building of socialism. It is essential, too, to undertake criticism of certain analyses that have been made of real and topical problems, using a method which, though allegedly inspired by dialectical materialism, is, in fact, remote from it.

(For practical reasons, the paper most frequently criticised in this discussion is Ernest Mandel's article called "The commodity categories in the transition period" [*Economica*, Havana, June 1964]. My purpose is not, of course, to dispute particularly with this writer more than with any other, but to try and define some essential theoretical and methodological positions.)

page 144

I Abstract and concrete

In his *Introduction to a Critique of Political Economy*, Marx contrasts two methods -- one which proceeds from the concrete to the abstract, and the other, proceeding from the abstract to the concrete, which he describes as the only scientifically correct method.

"It seems," he writes, "to be the correct procedure to commence with the real and concrete aspect of conditions as they are. . . . Yet, on closer consideration, it proves to be wrong. . . . The [method which starts from general conceptions and proceeds to concrete ones] is manifestly the scientifically correct method. The concrete is concrete because it is a combination of many objects with different determinations, i.e., a unity of diverse elements. In our thought it therefore appears as a process of synthesis, as a result and not as a starting point. . . . [By the scientific method] the abstract definitions lead to the reproduction of the concrete object in the course of reasoning. . . . The method of advancing from the abstract to the concrete is but a way of thinking by which the concrete is grasped and is reproduced in our mind as a concrete." (*Op. cit.*, Editions Sociales edn., pp. 164-5: Eng. edn., pp. 292-4.)^[1]

It is clear that Marx does not advocate that science should stop at the level of the most abstract categories, but that he calls upon scientific activity to think its way back to the concrete by way of synthesis of what he calls "the abstract definitions".^[2]

II Marxist analysis and pre-scientific "analysis"

The fundamental and "specific" difference between Marxist analysis and pre-scientific (ideological) analysis is that the former recognises that the field to which it is applied is a

"complex whole structured in dominance" (to use the expression of Louis Althusser, in his article on materialist dialectics in *La Pensée*, No. 110, August 1963, reproduced in *Pour Marx*, Edit. Maspero, 1965: Eng. edn., *For Marx*, Allen Lane, 1969) and that it therefore uses concepts which are linked together dialectically, their inter-relation expressing the relations and contradictions of the very field to which it is applied. This means that it does not proceed dogmatically and "abstractly", because the very concepts which it employs teach that the "principal" contradiction in a given *concrete* situation, and the principal aspect of any contradiction, may vary from one moment to another.

This is why one must always find the principal contradiction in each situation, and the principal aspect of each of the various contradictions (this is the problem of the "decisive link" or the "leading link"). It is clear that one cannot "grasp" this link "mechanically", that to do it requires a series of mental efforts, which eventually make possible a conceptual structuring that gives as faithful an expression of reality as can be achieved.^[3]

Thus, depending on whether we take our examples from the sphere of politics or from that of economics, we shall see that in a given situation

page 145

the principal contradiction may be between proletariat and bourgeoisie, or between peasantry and large-scale landowning, or between poor peasants and rich peasants, etc., or else, from the economic standpoint, between consumption and investment, industry and agriculture, the iron and steel industry and the chemical industry, etc.

These contradictions are never, of course, presented, so far as historical materialism is concerned, as *absolute* contradictions, but as being underlain by the unity of the contradiction. Also of course, these contradictions are based on those between the productive forces and the relations of production, but the latter do not exhaust the content of the contradictions: they are a specific and fundamental (which does not mean principal) degree of this reality, and possess driving power in relation to the other degrees, while the latter, in turn, react upon this fundamental contradiction (which means, for example, that contradictions in the superstructure may hinder or even block the development of the productive forces). The whole thus operates like a complex structured whole, always marked at any given moment by a principal contradiction.

These contradictions merge, at a certain moment, in a certain way, and this amalgamation gives rise to a new situation which is *qualitatively different from the preceding one*. In this new situation the principal contradiction is not the same as it was in the previous situation, and, in general, the hierarchy of contradictions and of their aspects has been profoundly modified. Such qualitative changes mean, when they take place in the socio-economic field, either that a new mode of production has been entered upon, or else a new stage of a given mode of production, or a new point has been reached in this stage. To say that the principal contradiction has been modified is also to say that the decisive link by which the situation can again be modified is different as compared with the previous situation.

Thus, depending on the nature of the principal contradiction and the principal aspect of the contradictions, the *line of practical action* will be different. By taking examples from the field of politics and economics we shall see that, depending on the situation, the principal link which has to be grasped in order to change this situation is constituted now by the grouping of the revolutionary forces around the proletariat, the dictatorship of the proletariat allied with the peasantry over the other social classes, or allied with the poor peasantry only, now by the priority of industry over agriculture taken as basis of development, with industry as the driving force, the relatively extensive use of market forces (N.E.P.) or rapid collectivisation, centralised

planning or the use of economic levers, etc.

III The Specificity of Marxist dialectics

However, contradictions must not be studied in themselves (in the Hegelian manner); they need to be considered as forming part of "the very essence of things", as Lenin puts it.

This is where the specificity of the contradiction lies, in Marxist dialectics. It is this specificity that brings it about that, in dialectical materialism,

page 146

every contradiction reflects the existence of a complex process and constitutes *one contradiction amid a series of others*. This is also why, in the totality of contradictions that makes up a structured whole, there is always one contradiction which is the principal one. As Mao Tse-tung says:

"In the process of development of a complex thing, many contradictions exist; among these, one is necessarily the principal contradiction. . . ." (Mao Tse-tung, [On contradiction](#), p. 55: Eng. version from *Selected Works*, Vol. II, p. 35.)

From this there also follows the necessary distinction between the principal aspect and the secondary aspect of the contradiction, which is merely the reflexion "within each contradiction of the complexity of the process, that is, the existence within it of a plurality of contradictions, one of which is dominant . . ." (cf. Louis Althusser, *La Pensée*, August 1963, "Sur la dialectique matérialiste", p. 27).

Materialist dialectics is thus something very different from the simplifying abstraction, remote from the historical, the complex and the concrete, which Ernest Mandel offers us as "Marxist dialectics".^[4] This kind of abstraction is not even at the level of idealist dialectics in its most finished form (the Hegelian form), but it starts, like idealist dialectics, from the basic presupposition of a simple contradictory unity which develops within itself by virtue of the negative element in it, so that the "concrete" totality that results from this development always brings us back to the original simplicity. It is especially important to stress that the desire to consider only "simple" categories, to refuse theory access to the concrete, leads precisely to the errors that it is sought to avoid.

Take, for example, the problem posed by the fact that the proletarian revolution has been victorious in a number of countries with relatively underdeveloped productive forces. Confronted with this situation, an attitude which does not correspond to that of dialectical materialism can lead, and does in fact lead, to two sorts of "explanation", neither of which has anything in common with Marxism, and which, furthermore, though mutually exclusive, are both sometimes accepted by those who decline to recognise the specificity of Marxist dialectics:

(a) The first "explanation" leads to declaring that, though the productive forces of the underdeveloped countries were in themselves too weak to provide the source of the revolutionary movement, it was nevertheless the contradiction between productive forces and production-relations that was the source of the revolution that occurred in these countries, because what counts is not the "local" or "national" level of the productive forces but the world contradiction between productive forces and production-relations.

This way of allegedly "solving" the problem brings in, first of all, a purely idealistic relationship between what is internal and what is external, and, in addition, it reveals that those

who offer this "explanation" have not understood that the contradiction between the level of development of the productive forces and the production-relations, although it is the

page 147

fundamental contradiction, is only *one of the contradictions* in the complex situation of the country where the revolution has occurred, and is not necessarily, and even, *generally speaking, does not constitute the principal contradiction*. The latter may be found at quite a different level. It was constituted, for example, by the revolt of the Russian peasant soldiers against continuing the imperialist war. This war itself, of course, resulted from the contradiction, on the world scale, between the level of development of the productive forces and the production-relations; but this contradiction had attained its maximum sharpness only in the most highly developed countries.

This contradiction existed, too, though to a lesser extent, in the countries where the revolution occurred, and this was what made it possible for the revolution to assume a socialist character. However, the revolution took place in these countries not because the contradiction between productive forces and production-relations had reached maximum sharpness there, but because there was a principal contradiction (not identical in each country) which had become very acute, and because the revolutionaries of these countries were able to lay hold of this contradiction so as to effect a radical transformation. This transformation assumed a socialist character in so far as these revolutionaries did not confine themselves to acting upon the principal contradiction (guiding the masses in their struggles for peace, or for freedom, or for land) but undertook the task of resolving the fundamental contradiction of our age.

(b) The other "explanation" of the development of the revolution in countries where the productive forces have not yet reached a high level of development leads (and this is the idealist alternative) to a denial of any role to this contradiction between productive forces and production relations, and explaining the revolutionary process by revolutionary consciousness alone, by the example set by the socialist countries, and so on.

We thus see how refusal to appreciate the complex and concrete character of Marxist analysis leads either to idealistic positions or to mechanistic ones. It is noteworthy that all the conceptions which depart from Marxism in this way finally end up in eclecticism.

Actually, if, as Mandel thinks, Marxism were incapable of analysing "real capitalism as it has developed historically . . . as it has developed concretely . . ." but only a "pure and abstract capitalism. . . ." (*art. cit.*, pp. 9-10), it would provide us merely with a "pure" and "simple" theory which would therefore be remote from concrete conditions, which are particular, historical, contingent and accidental. These conditions, while they are those of practice, would thus elude the grasp of theory. Hence forth, as the well-known expression has it, "the necessary would make itself felt through the accidental", and the latter would therefore have either to be ignored or else made the object only of short-sighted practice, of empiricism.

A conception like this can obviously provide no guidance for effective

page 148

practice, since, if it is to be effective, theory must be capable of grasping the allegedly "accidental", that is, of conceiving reality as a complex, structured whole, involving a totality of contradictions which are never congealed once for all in an immutable hierarchy. This is what Lenin expresses when he says: "Concrete analysis of the concrete situation is the soul of Marxism." This is so because Marxism is not an "abstract" theory but a theory which leads to

the concrete, and which therefore can be a guide for practice. Thanks to this, Marxist practice in the economic and social spheres can operate upon all the contradictions. It is able to do this because it enables us to grasp the links that exist between all the contradictions, and to ascertain what, at any given moment, is the *principal contradiction*, which is such because by acting upon it one can eventually act upon all the contradictions.

For Marxist analysis there is not, on the one hand, an abstract model functioning in the realm of ideas, and, on the other, a reality which comes more or less close to this model, and includes, besides the categories of the "model", some "accidental conditions", that is, some purely "external" factors. Marxism does not lead to such a superficial view of things. It considers every reality as a structured whole which has to be analysed as such, with its principal and secondary contradictions.

Lenin provides a precise *theoretical* explanation of the October Revolution by taking account of the totality of the conditions that existed at the time of that revolution, that is, the real, historical, concrete conditions. Only thus can one understand why the socialist revolution, dictated fundamentally by the contradiction between productive forces and production relations, broke out, not in the countries where this contradiction had been brought to its maximum acuteness, but in those where a number of historical and concrete "conditions" came together. An explanation which resorts to taking account of these "conditions" can avoid eclecticism and empiricism only if these conditions are theoretically reintegrated in the overall conception of a structured complex whole. More precisely, these conditions have to be understood as they are, that is, as the conditions of existence of a complex whole, taken in its totality.

If, in the name of the "purity" and "simplicity" of theory, one leaves the conditions out of account, then one is left operating outside reality, which is always complex, historical, concrete and structured, and always includes principal and secondary contradictions, and contradictions whose "order of importance" changes with changing circumstances.

So long as one remains at this level of ideological abstraction, one can know only a "pure" capitalism, on the one hand, and a "pure" socialism on the other. On the political plane this can lead either to "ultra-leftism" (for instance, with the slogan, mechanically applied in all circumstances, of "class against class") or to opportunism, waiting indefinitely for real capitalism to become sufficiently "pure" for the coming of "pure" socialism to be inevitable.^[5]

When what is on the agenda is building socialism, the "purest" conception

page 149

of socialism is of only limited value, because history is never "pure", nor is it "straight and even as the Nevsky Prospekt" (which means, among other things, that the features which will characterise developed socialist society are not only not all necessarily to be observed in the society of transition, but that it may even happen that, during certain stages of the development of this transitional society, some features that one may expect to be possessed by the socialist society of the future will temporarily become blurred, and will not at all necessarily become increasingly clear-cut).

What matters, therefore, if theory is to be capable of throwing light on the way forward for the transitional society or the conditions for the building of socialism, is analysis of the concrete conditions of this transitional society or of this building of socialism, in a particular country. This analysis must obviously deal with the significant wholeness of the situation. Here again it is a question of analysing the totality of the contradictions, bringing out the principal contradiction and the secondary contradictions, and the principal and secondary aspects of the contradictions. Only thus can the specific character of a situation be brought out, with the

specific character of the contradictions that are characteristic of it.

The specific character of the contradictions (in a given country at a given time) is only the reflexion of the conditions of existence of this country (the level of development of its productive forces, its culture, its traditions, its size, the level of consciousness existing at a particular moment) on the contradictions in general, and the principal contradiction in particular. This is precisely why socialism is not being built under the same conditions in Cuba, in the USSR, in China, and so on. Whoever refuses to take account *theoretically* of these "specificities" is not a Marxist. That is where one falls into empiricism and eclecticism, because one wants to *keep theory outside of history*.

Except from the point of view of ideology, practice and theory are never outside of history. What they have to deal with, in reality and in thought, is never a "pure" mode of production but always an *historically given social formation*, with all its specific contradictions, its principal and secondary contradictions, and so on. Marxism is the only theory that enables us to deal practically and theoretically with a reality like this (which is what Mandel refuses to do, not only theoretically but also practically).

With a living approach like this, of course, the contradictions and categories are no longer univocal; they do not have one fixed role and meaning, given once for all. At the same time, they are not "equivocal", for, while they are no longer determined once for all in their role and essence, "they show themselves to be determined by the structured complexity" which assigns them their role (cf. Louis Althusser, *art. cit.*, p. 37).

The problem of dialectical materialist analysis is precisely that of revealing why and how it is that successively dominant contradictions do not follow each other in an arbitrary way: and the problem of Marxist practice is to grasp what at each moment is the principal contradiction,

page 150

and how by acting upon it (that is, by acting on what Lenin called the "decisive link") one can pass from a situation dominated by one contradiction to a situation dominated by another.

The generality from which the scientific approach starts is not itself the outcome of an abstracting process, but of complex social processes taking place at the level of technique and ideology. It is upon these abstractions that science works in order, gradually, to go forward to fresh abstractions, enriched by increasingly "concrete" *knowledge*, and thus forging scientific concepts (which will eventually become the negation of the ideological and technical concepts with which investigation began).

It is this process of enrichment (of progress towards the concrete) that is the essence of scientific thought and of the dialectical materialist approach. One must avoid substituting for this scientific and dialectical approach the simplifying procedures of deduction, that is, of mere formal logic.^[6]

IV Dialectical synthesis and the factor of practice

Ernest Mandel would appear to be right when he says: "One must avoid *confusing* complex reality with its simplified reproduction in theoretical thought; that is, one must not close one's eyes to all the complexities of reality, always infinitely richer than theory, which by its very nature tends to simplify things."^[7] This statement is true, however, only in relation to the most impoverished forms of theoretical thinking. Also, Mandel is at fault in not practising the precept he states, for he tries to deal with the complex reality of the transitional society by means of the simplest and most abstract economic categories of "pure" and fully developed

socialist society.

What Mandel actually tries to do is to *deduce*, from the most abstract categories relating to socialist society, the more concrete economic categories that characterise this society, or the transitional societies, together with the practical laws that govern the working of these societies. By so doing, he fails to follow the road that leads from the most general abstractions to the concrete in thought. In order to traverse this road one needs to go outside the simple relationships of formal logic (deduction and reduction), and use the methods of dialectical synthesis.

It is in fact impossible to re-create the concrete by merely adding abstractions together. It has to be reproduced by means of dialectics, which is, indeed, the way in which one gains access to reality. And in order to reach reality in this way, one has to proceed by mediation, *by reconstituting in concepts the organic totality of a socio-economic formation*, something that can only be done by taking account of *all the factors* that make up this totality, including, of course, the factors of practice, *beginning with economic practice itself*: and this is true, also, when one is trying to construct the theory of socialist economy.^[8]

In order to work out a "theory of socialist economy", Mandel does not hesitate, like Bukharin forty years earlier,^[9] to operate with the most meagre

page 151

of concepts, the only ones that could be worked out before there had been any *social practice* in the building of socialism. At the same time, he rejects as "impure", and unworthy of being accorded any theoretical value, the concepts which it has been possible to work out since then, as a result of social practice in the building of socialism.^[10]

As often happens, the positivist approach, that is, the mechanical contrasting of a dead "reality" with an equally dead abstraction, becomes transformed into a kind of idealism which renounces all approach to reality through practice.

This attitude is very similar to that adopted by those opponents of Marx who, like Böhm-Bawerk and others, have tried to set Book I of *Capital* (the theory of value and the laws of price-formation in simple commodity economy) against Book III (the theory of price-formation in capitalist society), by saying that Marx denied in Book III what he had asserted in Book I. These opponents of Marx accused him of sliding down from the plane of abstract and theoretical analysis in Book I to the "practical" conceptions of Book III. According to them, all that appears in Book III is a pragmatic description of the actual practice of capitalists. This view ignores what is essential, namely, that Marx's scientific approach makes it possible to express the *theoretical foundations* of this *practice* (which is that of capitalism).

In the same way, the political economy of socialism cannot restrict itself (unless it is to remain sterile) to repeating the most general abstractions, or trying to deduce from these the whole of the political economy of socialism. It has to explain theoretically (that is, by bringing out its theoretical meaning) the practice of the countries which are actually building socialism^[11] or taking their first steps along the road of transition to socialism.

Similarly, too, the theory of the proletarian revolution cannot restrict itself, after nearly a century of practice (from the Paris Commune to the Cuban revolution) to the mere general categories that are to be found in the writings of Marx and Engels previous to the Commune. This theory must be enriched by the experience of the Soviet revolution, that is, the practice of Leninism, and the practice of the other revolutions that have taken place; otherwise it is incapable of becoming a theory which is as rich as it needs to be, because incorporating all the

lessons of experience.

Finally, refusal to take account of social practice in order to construct a living theory leads to dogmatism on the plane of thought and, in a way that seems paradoxical but is in fact strictly logical, to practicalism on the plane of action, that is, to the absence of any revolutionary theory -- without which, as Lenin often emphasised, there can be no revolutionary action.

In the field of the building of socialism, a conception like this leads, *inter alia*, to treating as theoretically well-founded those practices which *formally* seem to express the most abstract categories.

page 152

Moreover, this methodological attitude gives rise to the illusion that it is possible to choose, among "possible" modes of practice (as one imagines these laid out for one's choice, in the field of abstractions), those that seem "morally" the best.

Unless enriched through social practice and experience (which practice also includes, of course, theoretical practice), abstract concepts seem to open on to a multitude of "possible" lines of action, so that practicalism links up with subjectivism and voluntarism.

V Theory and the Contradictions of Practice

For a Marxist, there can be no question of seeking to impoverish theory merely in order to make it more "intelligible". On the contrary, the problem is to enrich theory so as to make it an increasingly efficient guide to practice.

Marx's method, as we know, consists in starting from social practice and its results. In the economic field, Marx begins with the simplest, historically given relationships. Since every relationship has two aspects, which are both related and contradictory, Marx studies the contradictions within it and the way in which these have been actually resolved in social practice. Then he studies this resolution and the development of the relationships it implies, and thus the contradictions involved in these relationships, and so on. This method is that of dialectical materialism applied to social and historical reality. It therefore requires that analysis be made of the contradictions that have been bequeathed by history and have developed in the course of practice.

The political economy of socialism, or, more generally, the political economy of the societies which are building socialism, can be worked out only in this way, by seeking the contradictions that are characteristic of this economy or these societies, as of all living reality, and analysing how practice resolves these contradictions. When doing this, of course, one has to be careful not to put on the same plane the principal contradictions and the secondary ones, or forget that the fundamental contradiction of *a mode of production* must be situated in the sphere of production itself. Marx founded political economy as a science precisely by basing his analysis on the sphere of production: he showed that the phenomena which take place in the sphere of distribution are the corollary of those more fundamental phenomena that develop in the sphere of production.

The fundamental contradiction of the transition period (that is, of a period in which socialism has not yet been built because the level of development of the productive forces is not yet high enough) is that which contrasts an advanced form of appropriation (made necessary by the development of the productive forces on the world scale) with the low level of these productive forces locally.

Consequently, the essential problem in building socialism -- in the economic sphere -- is to overcome this contradiction by raising the local productive forces as quickly as possible to the level that corresponds to

page 153

that of the forms of appropriation, while safeguarding these forms of appropriation from the dangers of degeneration which threaten them so long as they have not been filled by sufficiently developed productive forces. The struggle against the possible degeneration of the advanced forms of appropriation implies, of course, struggle against bourgeois ideology and the penetration of bourgeois standards of behaviour.^[12] It also implies correct handling of the fundamental contradiction, that is, the development of the indispensable intermediate forms^[13] between the social forms of appropriation and the not yet complete domination by society of all the aspects of production.^[14]

"Che" Guevara correctly criticises^[15] -- but mistakenly ascribes to me -- a "mechanistic" conception of the law of conformity between the level of development of the productive forces and the character of the production relations.

If, in Cuba as previously in China or in the Soviet Union, the socialist revolution has been victorious, this is not because the contradiction between the level of development of the productive forces and the character of the production-relations had reached maximum acuteness there, but because the specific conditions in which this contradiction developed made possible the victory of the workers over the forces of the possessing classes and of imperialism. Nevertheless, this specific situation and this victory do not alter the fact that in the countries where the proletarian revolution has been victorious up to now, the relatively low level of development of the productive forces makes a more or less prolonged transition period essential -- a period marked precisely by the circumstance that the new property relations and production-relations are "in advance" of the local level of development of the productive forces.

This is one of the specific problems of the building of socialism in the economically underdeveloped countries. The existence of this problem necessarily dooms to failure the attempts made by Mandel and others to deduce, from the general remarks made by Marx and Engels regarding the way a developed society works (one in which the level of development of the productive forces is in conformity with the new property-relations), the conditions in which the *transitional society* operates.^[16]

The principal contradiction of a society, however, must not be confused with the fundamental contradiction of a mode of production, that is, with the contradiction between the production-relations and the level of development of the productive forces. The principal contradiction may be situated, at a particular moment (and this may even be frequently the case), in the superstructure -- usually the political superstructure, but also in the ideological, religious, etc., superstructure. Only an understanding of the complex unity to which this principal contradiction belongs can enable one to drive it to the limit and thus explode the other contradictions as well (including the fundamental ones).

If the principal contradiction is not driven to the limit then, as a rule, only secondary restructurings will take place. These will bring about a

page 154

change in the principal aspect of the principal contradiction (e.g., a change of regime or of political status), but not a change in the mode of production, or, more precisely, in the class

nature of the state.

For example, the contradiction between national aspirations and imperialist repression constitutes the principal contradiction during the struggle of a colonial country for political independence. All the other contradictions concentrate (merge) in this principal contradiction. A Marxist party which does not grasp this fact (theoretically and practically) is incapable not merely of understanding the situation but also, and *ipso facto*, of directing the way it will develop. It is necessary also to grasp what the principal aspect of this contradiction is (e.g., which is the class that, at a given moment, is in the vanguard of this struggle). On this condition only is it possible to foresee how victory in this struggle (the merging process, the transition from contradiction to identity), accession to independence, will sharply change the status and the very structure of the contradictions, making another contradiction (e.g., peasants versus landowners, or working class versus bourgeoisie) the new principal contradiction that has to be grasped in order to lead the struggle (by keeping or winning leadership). With the capture of power, a new structure of contradictions emerges, and so on.

What, of course, follows from this is that, after a revolutionary transformation, the elements in the situation (a new situation) on which one has to act in order to go forward are no longer the same as before, and it is no longer the same attitudes, slogans and forms of consciousness that are decisive. It is from this that, in the absence of a *high degree of theoretical consciousness*, the difficulties of transition from the armed struggle to the stage of economic construction arise. Hence also the great dangers involved in appealing, in the construction phase, to the same qualities or attitudes as in previous phases. Thus, while in the phase of struggle for power what was characteristic of the revolutionary consciousness was the spirit of sacrifice and discipline, capacity for military organisation, and so on, other subjective elements will usually be decisive in the construction phase: sense of economic analysis, ability to grasp new social contradictions, spirit of technical organisation, and so on.

Accordingly, declarations about the importance in the struggle for socialism of "revolutionary consciousness" *in general* are void of any precise content (they are neither true nor false). All that can be decisive is a particular concrete manifestation of this "consciousness".

VI Science and ideology

In discussions about the role allegedly played by "consciousness", in the most general sense, as a quasi-autonomous force in the struggle for socialism, or in the building of socialism, reference is often made to the theses of the *Economic Manuscripts* of "the young Marx". This is done because of the "humanistic" character of these theses and the central position assigned in them to "man". Frequently quoted is the following

page 155

passage from the *Economic and Philosophical Manuscripts of 1844*, in which Feuerbach's equation, "humanism means naturalism" is accepted:

"Communism as the *positive* abolition of private property, of human *self-alienation*, and thus the real *appropriation* of human nature through and for man. It is, therefore, the return of man himself as a *social*, i.e., really human, being, a complete and conscious return which assimilates all the wealth of previous development. Communism as a fully developed naturalism is humanism and as a fully developed humanism is naturalism. It is the *definitive* resolution of the antagonism between man and nature, and between man and man. It is the true solution of the conflict between existence and essence, between objectification and self-affirmation, between freedom and necessity, between individual and species. It is the solution of the riddle of history, and knows itself to be this

solution."^[17]

When this quotation is used, an essential fact is overlooked, namely, that later on, as Louis Althusser has quite rightly pointed out: "Marx based his entire conception of political economy on criticism of this presupposition (*homo oeconomicus*, and his legal or moral abstract form, 'the philosophers' Man') . . ." ("Contradiction and overdetermination", in *Pour Marx*, p. 109).

The fact that Marx, in 1844, still accepted the equation he had borrowed from Feuerbach shows the line that separates the consistent materialist positions taken up by Marx in his later writings from the humanistic positions he was still defending in the *Economic and Political Manuscripts*. It was in the latter, moreover, that Marx expressed himself thus regarding materialism:

"We see here how consistent naturalism, or humanism, is distinguished from both idealism and materialism, and at the same time constitutes their unifying truth."^[18]

As E. Bottigelli rightly observes, at that time materialism was "still, for Marx, a point of view that had to be transcended in the name of a humanism of which, it must be said, he was never again to speak in the terms by which he defined it in the *Manuscripts*". Bottigelli adds also this sound observation: "In 1844, Marx's thought was still a long way from having reached its definitive form. The *Manuscripts* are evidences of the clarification-process of thinking that, on many points, is still seeking its way, rather than the expression of finished thought."^[19]

Actually, the *Economic and Philosophical Manuscripts* contain, not yet entirely eliminated, Feuerbach's idea of an essence of humanity, regarded as a fact, or even a "truth" of humanity. It is therefore not accidental that these *Manuscripts* have given rise to controversies and polemics, and have encouraged some interpreters to find proof in them that Marx's thinking, at least in the *Manuscripts*, was fundamentally ethical.^[20]

We know how Engels, in a letter to Lafargue dated 11th August 1884, refuted the view of those who wanted to make Marxism a system of ethics:

"Marx would protest against the economic 'political and social ideal'

page 156

which you attribute to him. When one is a 'man of science' one does not have an ideal; one works out scientific results, and when one is a party man to boot, one fights to put them into practice. But when one has an ideal, one cannot be a man of science, for one starts out with preconceptions."^[21]

However, even if in some of the passages in the 1844 manuscripts Marx's positions seem still to be very close to Feuerbach's, Marx realised even this early that human nature cannot exist before history and cannot be defined once for all time. It was in this work that Marx wrote: "History is the true natural history of man."^[22]

Man as producer, man producing himself, and not man conscious of himself, is Marx's point of departure. Accordingly, man's truth is in his becoming. Despite certain appearances, we no longer have here a purely intellectual approach, and are far beyond Hegel's "self-consciousness".

In short, referring to the humanism and the role of consciousness that we find in the terms used in the 1844 manuscripts means referring to Marx's thought as it was before Marx himself had taken his stand definitively on the platform of dialectical materialism. In these writings the

concept of production-relations does not yet appear, nor that of the class struggle as the driving force of history.

Another point that must not be forgotten is that in the *Manuscripts* the concept of "alienation" (used in the context of the quotation previously given) is still one of the fundamental concepts. It was to lose this status later, for Marx would replace it by the concept of "praxis". It is doubtless not accidental that those who like to refer to the *Manuscripts* and the allegedly ethical positions taken up by Marx do not accord to praxis the place that it was to occupy later in the work of the author of *Capital*.

The foregoing reflexions on the significance of the passage quoted may seem pointlessly lengthy. However, I do not think so. This passage, and, more generally, the *Economic and Philosophical Manuscripts of 1844*, are not only the reference-point of a number of writers who want to be Marxist without being Leninist, but also a sort of line of demarcation within Marx's own work. It is certainly in this passage that Marx carried farthest his *philosophical* analysis, giving this word, as Louis Althusser rightly says, "the very meaning on which Marx was later to pass pitiless judgment".^[23]

If the 1844 manuscripts represent the "unbounded theoretical triumph" of philosophy and the "radical dominance" of philosophy over economics, this was because at that time Marx still accepted bourgeois political economy at face value, that is, without questioning the content of its concepts and their systematic relationship.^[24] Here everything is still expounded on the plane of "the abstraction of the economy",^[25] which, as Althusser observes, gives authority also to the other "abstraction", that of philosophy.^[26]

It is important to recognise these facts. They enable us to understand better the relations linking some of the references made to the 1844 manu-

page 157

scripts with certain intellectual and ideological approaches and attitudes of the present day. Thus, when one reads the *Manuscripts* it may seem that philosophy, i.e., "consciousness", can resolve the contradiction in political economy by thinking it out. Again, when one reads the *Manuscripts* it may seem that, while remaining faithful to Marx's spirit, one can draw conclusions from the "dialectics of concepts" alone, without needing to engage in analysing *praxis* or undertaking a dialectical synthesis on the basis of this analysis and the notions first worked out on this plane.

An approach operating on the terrain of the "dialectics of concepts" leads to the claim, for instance, that "the *essence* of socialism is planning", or that "the *essence* of planning is the budgetary system" which logically must lead (and has not failed to lead some, including Ernest Mandel) to the conclusion that it should be possible to work out in advance a political economy and even a philosophy and a morality for socialist society, in the belief that one can draw this philosophy, political economy and morality from concepts, instead of building them in a scientific way on the basis of social *praxis*.

It will be seen how decisive it is to appreciate the radical line of demarcation that separates the Marx of the *Manuscripts of 1844* from the Marx of *Capital*.

Depending on whether or not one recognises this line, one conceives of Marxism as a new philosophy, or a new morality, or one conceives it as a dialectical approach directed towards the *concrete* and towards *action*, and constantly enriching itself at the source of *social practice* (which includes political, economic and theoretical practice, i.e., scientific practice).

By taking the former standpoint one is led to suppose it possible to deduce from a few "primary truths", or a few "essences", a whole set of rules of behaviour, including a "morality", a system of economic organisation superior to any other, an economic policy which is rigid and valid for all circumstances, and so on. These are the typical positions of dogmatism.

If, however, one recognises that Marxism is not a philosophy but above all a theory of the development of reality, society, mankind, etc., one arrives at a quite different way of looking at the relations between theory and practice, consciousness and the world, idea and reality. Thenceforth, it is no longer a matter of measuring reality by an idea. The categories that Marxism itself worked out, and is still working out, are seen as the outcome of a process, an historical development, in which, to be sure, consciousness plays the final role, but a development which is above all that of social practice (and not of intellectual speculation).

A theory like this does not merely offer a way of interpreting the world, it opens the road to the domination of reality by practice. It opens the road to revolutionary transformation of the world, and makes it possible *to subject this new world to a new analysis just as living and revolutionary as that to which it subjected the old world.*

If consciousness is here only one of the factors in revolutionary transformations, this is because these are not only or even mainly transforma-

page 158

tions of consciousness, but transformations of social, political and economic reality. A certain moment of these transformations passes, of course, through people becoming aware of reality, whether by way of class consciousness or of theoretical consciousness, but the condition for the role played by consciousness to be *decisive* (and it is decisive) is that this role must *enter into the movement of objective forces*, since only in this way can it change the latter.

What living Marxism sets in movement are objective forces, economic and social forces, masses and organisations. What it overturns are class relations, and what it directs, after the taking of power, is the development of the productive forces. If that is what Marxism is, and the work of Marx and Lenin (and I speak, of course, not merely of their writings but of their whole historical achievement) proves that it is, then it is clearly something quite different from a philosophy of consciousness and essence.

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February 1966, pp. 3-20.)

NOTES TO CHAPTER 4

- 1 It may be useful to recall here what Hegel wrote in his *Logic*, and Lenin's comments on this. Hegel wrote: "It is only a notion", is a thing commonly said; and not only the Idea, but sensuous, spatial and temporal palpable existence is opposed to the Notion, as something which is more excellent than it. And the abstract is counted of less worth than the concrete, because from the former so much of that kind of material has been omitted. To those who hold this, the process of abstraction means that for our subjective needs one or another characteristic is taken out of the concrete in such a manner that, while so many other properties and modifications of the object are omitted, these lose nothing in value and dignity. They are the real and are reckoned as counting in full, only they are left on the other side; and it is only the incapacity of understanding to absorb such riches that obliges it to rest content with meagre abstraction." (Vol. V, Part 2, "The subjective logic of the doctrine of the concept [or notion] in general": Eng. version from Hegel's *Science of Logic*, trans. Johnston and Struthers, London, 1929, Vol. II, pp. 221-2.)
In the preceding passage Hegel critically sums up the ideas of Kant, and Lenin notes on this subject: "Essentially, Hegel is completely right as opposed to Kant. Thought proceeding from the concrete to the abstract -- provided it is correct [N.B.] (and Kant, like all philosophers, speaks of correct thought) -- does

not get away from the truth but comes closer to it." (Lenin, *Cahiers philosophiques*, Editions Sociales, 1955, p. 142: Eng. version from *Collected Works*, Vol. 38, p. 171.) [p. 144]

2 It is thus wrong to claim, as Mandel does in the article quoted, that

page 159

categories never enable us completely to grasp reality. Actually this is true only of the most abstract categories, whereas a scientific method, that of dialectical materialism, must aim at working out categories which are more and more concrete, more and more capable of reproducing reality and thus of grasping it completely, so as to make it possible to change reality consciously.

We know that Lenin, in his work on "Left-wing Communism", showed that the root of the mistaken position of the "Left" Communists was, precisely, their inability to get beyond the level of the most abstract categories. [p. 144]

3 It will be observed that the margin existing here between conceptual structuring and real structuring is secondary as compared with the "abstract models" to which Mandel refers, for this margin can always be narrowed by means of an effort of conceptual structuring. It is only because this effort is not worth while, in terms of the extra effectiveness it could bring, that it is not undertaken. [p. 144]

4 Mandel's underestimation of the real and concrete, and of its complexity is shown first and foremost by his assertion that "science" and "dialectics" develop at the level of "simple" categories. This is indeed what happens so long as one remains at the level of *ideological* abstractions. *Scientific* categories, however, are never simple, but are always involved in a concrete living and complex whole. [p. 146]

5 This is the same ultra-leftism that is found in the formula criticised by Marx in his *Critique of the Gotha Programme* :

"The emancipation of labour must be the work of the working class, relatively to which all other classes are only one reactionary mass." (*Op. cit.*, Editions Sociales, p. 26: Eng. edn., p. 23.)

Marx set against this one-sided formula the phrase of the *Communist Manifesto* :

"Of all the classes that stand face to face with the bourgeoisie today, the proletariat alone is a really revolutionary class. The other classes decay and finally disappear in the face of modern industry; the proletariat is its special and essential product."

In his *Critique of the Gotha Programme* Marx makes an admirable distinction between the contradictions, when he shows us that the bourgeoisie can be regarded as a revolutionary class in relation to the feudalists and the middle classes (and so, he adds, feudalists and middle classes do not form a single "reactionary mass" along with the bourgeoisie). He shows too, as the *Manifesto* puts it that the middle classes are revolutionary "in view of their impending transfer into the proletariat". We thus have before us the principal contradiction, between proletariat and bourgeoisie, and the secondary contradiction, between middle classes and bourgeoisie. [p. 148]

6 Deduction, of course, has its role to play too in scientific thought, but it is a subordinate role, that of exploring a field which has already been defined and delimited.) [p. 150]

7 *Ibid.*, p. 10. [p. 150]

page 160

8 Marx showed us, in *Capital*, how to proceed from internal relationships to the surface of things, from the constituent elements to the constituted reality, from the rate of surplus-value to the average rate of profit (which, from a superficial standpoint, looks like the non-dialectical negation of the rate of surplus-value). [p. 150]

9 Cf. Bukharin, *The Economy of the Transition Period*. [p. 150]

10 There is no question, of course, of accepting uncritically the many concepts which, here too, have arisen from non-scientific practice, both technical and social, and which may be ideological in content. The point is to start from these concepts, and the actual practice that they strive to express, in order to work out, using the method of dialectical materialism, new scientific concepts. Every explanation is not a justification: sliding from the one into the other is what happens when one falls into ideology, in contrast to science. Scientific analysis also requires that the contradictions of this practice be revealed. [p. 151]

11 In an article written in 1964 (*Cuba Socialista*, June 1964, p. 21), "Che" Guevara blames me for concluding "pragmatically" from the fact that the commodity categories (and the corresponding juridical categories) *exist* in the socialist countries, that they are *necessary*, and starting from this basis, going forward analytically to a point where "theory and practice come into conflict". He adds that I am forgetting here that "the transition period is young, historically", and that inevitable mistakes of appreciation may have been made. He writes further: "Why suppose that what 'is' during the transition period necessarily 'has to be'? Why claim that the blows dealt by reality to certain bold measures are merely the result of boldness, and not also, or entirely, of technical mistakes in administration?"

The question is well put. There can indeed be no question of claiming that "everything that is real is rational" or necessary. However, there can be no question, either, of according privileged status, to the detriment of practice, to the most abstract theoretical models, or the most general prophecies, that preceded any actual experience of building socialism. The problem that confronts us today is not one of constructing out of our imaginations the

political economy of socialism, or the transitional society (something that Marx and Engels, and Lenin too, refused to do), but one of analysing theoretically the essential features of economic practice in the different countries which are at different stages of transition towards socialism, or in building socialism.

In order to be scientific, this analysis must be critical. It must illuminate both what corresponds to the laws of development of a society advancing towards socialism, to the contradictions that are specific to this society and to the appropriate ways of mastering these contradictions, and also what constitutes a divergence from this. In order to do all this, it must analyse concretely the problems that have arisen, or are arising, in the various countries and at various times. The answers given to these problems must be analysed critically.

It is thus not a matter of justifying, or describing, but of producing new

page 161

knowledge. This new knowledge will form the theory of the transitional economy and the theory of socialist economy. It will help in solving new practical problems. The fact that the problems of the transitional economy or of the building of socialism are not only political but also economic means, of course, that they cannot be solved merely by means of an economic theory: while this is indispensable, theoretical knowledge must always be complemented by a concrete analytical effort to reveal the specific contradictions of each social formation, at the particular stage it has reached in its real development. This constant discovering of contradictions, both principal and secondary, and of the shifts undergone by these contradictions as the productive forces develop and social consciousness progresses, is the essence of revolutionary practice. This practice does not aim merely at showing or explaining, but at accomplishing what, without it, would not have existed. [p. 151]

12 This struggle is usually understood as being made necessary by the existence of "capitalist encirclement", which, however, is only a secondary aspect of the reality. The principal aspect is that the very contradiction between the advanced forms of property and the low local level of the productive forces constitutes the internal source from which bourgeois and petty-bourgeois tendencies arise, tendencies which have to be combated in order to safeguard the advanced forms of property and the actual class character of the state which defends this property against internal degeneration and external attack. [p. 153]

13 This is what is not seen by those who ignore social practice and the contradictions of this practice, and who therefore fail to develop theoretical analysis, so that they usually remain on the plane of moralising practicalism. [p. 153]

14 This point will be developed in the next article. [p. 153]

15 *Cuba Socialista*, June 1964, pp. 13 et seq. [p. 153]

16 Another methodological mistake which is unfortunately current is that of transposing to socialist society, or to the transitional economies, the conclusions of Marx's analysis of capitalist society. This "method" has frequently been used in discussions about problems of price policy. [p. 153]

17 French text from Emile Bottigelli's translation, Editions Sociales, Paris, 1962, p. 87: Eng. version from Marx, *Selected Writings*, ed. Bottomore, p. 155. [p. 155]

18 *Ibid.*, p. 136. (English version from *ibid.*, p. 206.) [p. 155]

19 Both quotations taken from Bottigelli's introduction to the Paris edn. of the *Manuscripts*, p. LXIX. [p. 155]

20 Bottigelli notes that among these interpreters are to be found both Social-Democrats like Landshut and Mayer, and also existentialists, Neo-Thomists, and theologians like E. Thier, Father Bigot, Father Calvez, etc. [p. 155]

21 *Correspondence Engels-Lafargue*, Paris, 1956, Vol. I, p. 235 (Eng. edn., I, p. 235). [p. 156]

22 *Manuscripts, op. cit.*, p. 138 (Eng. edn., p. 158). [p. 156]

23 Cf. "Chronique philosophique: Les Manuscrits de 1844 de Karl

page 162

Marx", by Louis Althusser, in *La Pensée*, February 1963, pp. 106-9: also in *Pour Marx*, pp. 153 et seq. (Quotation taken from p. 158.) [p. 156]

24 Which does not mean that he accepted all its conclusions. [p. 156]

25 This "abstraction of the economy" means, among other things, that the economy is understood from outside, as a group of categories detached from praxis. [p. 156]

26 "Chronique philosophique" (see note 23), p. 159. [p. 156]

5: Planning and production-relations

One of the characteristic features of certain writings, such as the article by Ernest Mandel which I have already quoted,^[1] is that they deal with "economic categories" of an impoverished kind which, despite the terminology used, belong not to the economic categories of Marx's *Capital* but to those of economic ideology, or even, to employ E. Bottigelli's expression regarding the *Manuscripts of 1844*, to that "economic phenomenology" which is still to be found in the *Manuscripts*. To be convinced of this it is only necessary to see how alien to Marx's thought, as it developed after the *Manuscripts of 1844*, is the way in which Mandel deals with the categories of private ownership and social ownership.

For example, in his article he introduces the section dealing with "the form of ownership and the mode of production" with the following proposition: "Transition from private ownership of the means of production to collective ownership means transition from the anarchy of capitalist production to the objective possibility of socialist planning." (*Art. cit.*, p. 11.)

A formulation such as this is too vague and lacking in precision to help us take even one step forward in solving the problems under discussion. Rather does it drag us back, to the level of the general declarations of what Marx and Engels called "vulgar socialism", which lacks any definite scientific content.

Mandel's formulation tends to conceal what is the real controversy today, namely: what are the conditions under which "the objective possibility of socialist planning" can be transformed into actual socialist planning? By merely repeating that collective ownership makes socialist planning objectively possible one does not contribute in the slightest to solving the essential problem, which is how to prevent a specific type of anarchy of production (disproportion, inefficiency, decline in productivity, etc.) from developing on the basis of collective ownership -- something that can happen and which it is important to prevent happening.

Here are some observations provoked by Mandel's formulation:

First of all, we note that it is a question here of "private ownership of the means of production" being wholly transformed into "collective ownership". This transformation thus appears to cover equally, and without any specific difference, *capitalist* property and the *private* property

page 164

of the small individual producers. In the passage quoted the very concept of "capitalist property" as, first and foremost, *private ownership of social means of production* is not even employed, either here or further on, precisely because Mandel remains on the plane of the most general categories, those that Marx used before he wrote *Capital*.

In *Capital*, however, Marx emphasises that even the phase of *private capital* is only a *transient phase* of capitalism, since the latter itself abolishes private property in the strict sense of the word. Let us re-read at this point what Marx writes regarding joint-stock companies:

"The capital, which in itself rests on a social mode of production and presupposes a social concentration of means of production and labour power, is here directly endowed with the form of social capital (capital of directly associated individuals) as distinct from private capital, and its undertakings assume the form of social undertakings as distinct from private undertakings. It is the abolition of capital as private property within the framework of capitalist production itself."^[2]

Still discussing the significance of the formation of joint-stock companies, Marx further observes that in these companies even the labour of management is henceforth separated from ownership of the means of production. He writes:

"In stock companies the function (of management) is divorced from ownership of means of production and surplus labour. This result of the ultimate development of capitalist production is a necessary transition phase towards the reconversion of capital into the property of producers, though no longer as the private property of the individual producers, but rather as the property of associated producers, as out right social property. On the other hand, the stock company is a transition toward the conversion of all functions in the reproduction process which still remain linked with capitalist property, into mere functions of associated producers, into social functions."^[3]

In this analysis as in many others, Marx does not confine himself to talking about "private ownership" in general, but takes account of the nature of the productive forces which are subjected either to private ownership, or to capitalist private ownership, or to capitalist ownership of social enterprises, and he highlights the decisive importance of the changes that take place in the level of development of the productive forces and in the character of the production-relations. As a result of these changes, indeed, the same juridical concept of "private ownership" covers a succession of economic realities which differ profoundly, since they range from simple commodity production to state monopoly capitalism, with, in between, capitalist private production, capitalist social production and monopoly capitalism.^[4]

If we neglect all these analyses made by Marx, so instructive not only in their conclusions but also in the method used, we are unable to understand: (a) how a new social order is prepared for inside capitalist society itself; (b) what the specific contradictions are at the different stages of

page 165

capitalism; (c) what specific contradictions characterise the economies within which socialism is built.

Let us return, however, once more to the passages where Marx writes about joint-stock companies. He adds:

"This is the abolition of the capitalist mode of production within the capitalist mode of production itself, and hence a self-dissolving contradiction, which *prima facie* represents a mere phase of transition to a new form of production. It manifests itself as such a contradiction in its effects. . . . It is private property without the control of private property."^[5]

And he goes on:

"The capitalist stock companies, as much as the co-operative factories, should be considered as transitional forms from the capitalist mode of production to the associated one, with the only distinction that the antagonism is resolved negatively in the one and positively in the other."^[6]

These analyses are highly significant. Not only do they prove that Marx was not at all content, as some allege, to study "pure and abstract" capitalism, they show that he strove, on the contrary, to study capitalism theoretically in its development and its successive phases.

The practical and political bearing of these analyses is equally clear. We need only recall that, in his criticism of the Erfurt Programme, Engels used the same categories as those offered by Marx in Book III of *Capital*; as, for example, when he wrote, criticising Paragraph Four of the document that Kautsky had sent him:

"Paragraph 4. 'The absence of planning which is rooted in the very nature of capitalist private production' -- this requires serious improvement. I am acquainted with capitalist production as a social mode, as an economic phase, and capitalist *private* production as a phenomenon occurring in one form or another within that phase. What is indeed capitalist private production? Production by the individual entrepreneur; however, this is becoming more and more an exception. Capitalist production by *joint-stock companies* is no longer *private* production, but production for the joint account of many. Not only *private production* but also *lack of planning* disappear when we proceed from joint-stock companies to trusts which control and monopolize whole branches of industry. Delete the word 'private' and, at a pinch, the sentence may pass."^[7]

Here we see, in passing, how Mandel's general formulation about the "anarchy" of capitalist production, while correct as to fundamentals, is at the same time inadequate.

We know that Lenin, after quoting, in [The State and Revolution](#), Engels's phrase about "the end of planlessness", immediately adds:

"Here we have what is most essential in the theoretical appraisal of the latest phase of capitalism, i.e., imperialism, namely, that capitalism becomes monopoly *capitalism*."^[8]

Though the anarchy of capitalist production is not abolished (but is rather carried to extremes) either by the development of monopoly capital-

page 166

ism or even by the appearance of state monopoly capitalism and capitalist programming, it is none the less true that the content and the very form of this anarchy are profoundly modified^[9] (to the advantage of the monopolies) and that the attempts at planning and programming which are features of present-day capitalism constitute proof of the existence within it of the material conditions for another social order, the socialist order

As Lenin said:

". . . state-monopoly capitalism is a complete *material* preparation for socialism, the threshold of socialism, a rung on the ladder of history between which and the rung called socialism *there are no intermediate rungs*."^[10]

If, in considering the problems of transition from capitalism to socialism, it is not enough to confine oneself to general formulas about "private ownership", this applies even more to "collective ownership".

As we have seen, Marx uses the term "collective ownership" to designate alike collective ownership by the shareholders of joint-stock companies, workers' production co-operatives, and state ownership of the means of production.

Marx and Engels were never satisfied with analysing economic problems on the basis of "juridical categories". Their analyses show, on the contrary that it is not the "juridical form" of ownership that determines the mode of production, but the concrete social relations. Thus, depending on the class nature of the state, "state ownership" may be merely "capitalism pushed to an extreme", as Engels puts it in *Anti-Dühring* or, on the contrary, it may mean "seizure of the means of production in the name of society".

In order that "collective ownership" may mean "the objective possibility of socialist planning", it must be ownership by the proletarian state. But even this state ownership is not yet *social* ownership (that is, ownership by society *as a whole*). It is so far only seizure of the means of production by the proletarian state "in the name of society", as Engels puts it, and this then becomes social ownership only in proportion as the state withers away.^[11] While state intervention in social relations becomes progressively unnecessary in one sphere after another, parallel with this process commodity production declines and withers away, and what remains of anarchy in social production is replaced by ever more conscious and systematic organisation. Seizure of the means of production by the proletarian state may take the form of a single act, but taking possession of the means of production *by society*, the withering away of the state, the ending of commodity production, constitute, on the contrary, an historical process (conditioned by state ownership) which necessarily extends over a long period, this period being itself divided into successive phases.

Just as Mandel has failed to distinguish, in the passage quoted, between simple commodity production, capitalist private production, capitalist social production, monopoly capitalism, and state monopoly capitalism, so also he fails to distinguish between the transitional society, socialist society

page 167

and communist society (and their various stages). Thus, all the problems are dealt with as though they could be settled on the basis of the simple antimony between "private ownership" and "collective ownership", as if socialist society were *from the start* a developed socialist society, in complete control of the productive forces. The fact that this is not so, and can not be so, is at the heart of the socialist world's present problems.

To sum up what has been said so far and to tackle another question closely linked with the foregoing, we can say that what is primarily decisive about establishing ownership by the proletarian state of the principal means of production is *not* that it makes immediately possible the introduction of real socialist planning, since it makes this possible only as some thing *for the future*.^[12] What is immediately achieved by proletarian state ownership is the abolition of the economic and political power of the bourgeoisie and -- what is decisive for the future -- the transformation of the class structure of society and the class nature of the state.

The fundamental fact is the radical transformation of social relations. All the rest -- planning, social control over production -- is, at the start, still only an abstract possibility, the progressive transformation of which into reality constitutes the condition for the consolidation and flowering of the new social order.

I Possibility and reality

We see how dangerous it can be to identify *possibility* with *reality*. The whole problem of

building socialism is precisely that of creating the conditions that will ensure that what exists as a *possibility* (on the basis of the expropriation of capitalist ownership and the development of collective ownership) may become a *reality*.

In order to ensure this transition from the potential to the real, however, one has to begin by asking certain questions.

Is the fundamental characteristic of socialism, or of an economy in which socialism is being built, that it is subjected to a plan, or develops according to a plan; or is it that this economy is subordinated to social needs and develops according to the requirements of these needs (of which the plan must be an expression, as adequate as possible in the given economic, social and political conditions)?

Is it enough for the proletarian state to work out a plan, lay down targets and decide on priorities, for this plan to correspond to the objective possibilities, the requirements of maximum saving of labour, the requirements of proportionality, and, as in the previous question, the social needs themselves?

Further, is it enough that priorities have been decided by the plan for real economic development to conform to them?

One has only to ask these questions, and to be only a little aware of the objective reality, to appreciate that the answer must be in the negative, that is, to admit that what is "possible", from the standpoint of a mistakenly abstract conception, is not necessarily real.

page 168

It has to be accepted, then, that the true problem, the one that it is important to answer and from which follows the solution to all the others,^[13] consists in establishing the conditions which, at each stage and in conformity with concrete conditions, make it possible for the economy to be genuinely planned, and for the plan to correspond, so far as it can at the given stage, to the requirements of social development, social needs, proportionality, efficiency, and so on.

If we fail to examine these problems and remain content with manipulating abstract categories which we mistake for reality, we remain in the realm of bad philosophy, do not get on to the plane of concrete problems, and remain incapable of providing even the beginning of an answer to these problems.

Let us take an example. After recognising that socialist planning presupposes effective capacity on the part of society to account for and allot the productive forces in an efficient way, Mandel asks:

"In a country like Cuba, is it possible to 'account for and allot efficiently', that is, to plan the machinery, the raw materials and the work-force in the several thousand industrial enterprises in the country? The answer is, of course, yes. No doubt this is being done, at first, in an imperfect, partial, inadequate way; but the trouble here is not the level of development of the productive forces but weaknesses in organisation and lack of experience, and these can and must be gradually corrected through the gaining of experience and the formation of adequate cadres, through control and creative initiative on the part of the masses, etc. Any other conclusion would, indeed, put a question mark over all socialist progress in an under-developed country." (*Art. cit.*, p. 13.)^[14]

In its general form, the proposition at the beginning of this passage means nothing at all, for

the real question is to know *under what conditions* it is possible to "plan", with what delays, through what forms of organisation, given what relations between production-units, to what degree of efficiency.

At the end of the passage quoted, Mandel gives the impression that he is outlining the beginnings of an answer when he writes: "This is being done, at first, in an imperfect, partial, inadequate way; but the trouble here is not the degree of development of the productive forces, but weaknesses in organisation and lack of experience, etc." Here, too, we see the author avoiding reality and falling into the eclecticism (which ends in explaining everything by "circumstances") of which he is so ready to accuse others. This "fall" of his results from the fact that, for him, the categories are "pure" and "abstract" notions (abstract in the bad sense of the word) and that consequently it is necessary to make a leap in order to get from these "pure and abstract" concepts to the analysing of concrete reality.

Thus, in the foregoing passage, we see that the notion of "level of development of the productive forces" has been emptied of all concrete content, since it does not include the lack of experience and inadequate

page 169

training of the cadres, the weaknesses of organisation, etc. Yet all these enter into the level of development of the productive forces and define the higher or lower level of development of these forces.

In fact, it is only by taking into consideration the level of development of the productive forces that we are able to understand that the same juridical form (proletarian state ownership) can cover different concrete production-relations and determine a very varying degree of efficiency in accounting for goods and allotting them. This is why the forms and the degree of efficiency of planning are closely linked with the level of development of the productive forces -- whence the possibility or impossibility, depending on this level, that commodity relations will cease to apply between the production-units that form part of the nationalised sector under the dictatorship of the proletariat.

II Nationalisation, socialisation and the transitional economy

The problems just mentioned are so important, both for Cuba and for all the countries which have taken or will take the road of building socialism, that it is essential to look more closely at the way in which Lenin presents them, especially in his work called [*"Left-wing" childishness and petty-bourgeois mentality*](#), a work which is quite fundamental in this connexion. Let us first re-read the various passages in this work where Lenin distinguishes, and even contrasts, nationalisation and confiscation, on the one hand, and socialisation, on the other.

"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' 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 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* ."^[15]

It is clear that Lenin is here contrasting the juridical act of nationalisation (or confiscation) with socialisation, that is, with control by society or, "in its name", by the state,^[16] is over what has been nationalised or confiscated.

page 170

The distinction made is thus a distinction between a juridical category and a social reality: though large-scale industry has been nationalised it has not been effectively socialised, that is to say, managed in an efficient way on behalf of society. In this passage, indeed, what Lenin is concerned about is not the direction to be given to the petty-bourgeois or simple commodity sectors of the economy but the way to manage modern large-scale industry. This is why he envisages at that time what he calls "state capitalism" under Soviet power. This state capitalism, in the actual situation that Soviet Russia was in at that time, was expressed in the fact that the Soviet state was willing to entrust the "management" of the most important enterprises to what Lenin called "cultured capitalists", not in their capacity as capitalists but as specialist technicians or organisers, and to pay them high salaries for this service.

It was thus a matter, concretely (in the form, and at the level which were possible at that moment), of ensuring the socialisation of the large-scale enterprises by creating the conditions necessary for efficient management under the control of the proletarian state. What Lenin was concerned to do was temporarily to entrust the "management", that is, certain executive functions (under the control of "workers' commissars or workers' committees who watch the manager's every step, who learn from his management experience and who not only have the right to appeal against his orders, but can secure his removal through the organs of Soviet power"), of "the *largest* types of enterprises, which actually supply products to tens of millions of people", to "cultured capitalists".^[17]

For Lenin, nationalising the largest enterprises did not, therefore, constitute a sort of magical formula which would ensure "automatically" a regular and harmonious growth of production, the adaptation of the latter to social needs, and so on. For that it was, though a necessary condition, not a sufficient one. What was further needed was to ensure, under concrete conditions, the effective socialisation of the social means of production, which implies, among other things, efficient accounting, allocation and management, under social control.

The problem is obviously not one of knowing whether modern large-scale industry is "ripe" for nationalisation, since it is. The problem is to determine the precise conditions in which nationalisation will lead to real socialisation. Clearly, the formula of "state capitalism" under Soviet power solved this problem only very partially, imperfectly and temporarily, and did this under the very special conditions of the beginning of the first proletarian revolution. Very soon it was necessary to find other forms, equally transient, through which the management of the state enterprises and the overall direction of the economy could be better and better subjected to effective control by society.

These are the concrete and precise questions that have to be asked and answered in order to ensure the building of socialism. These are the problems of the economy of transition to socialism.

What is involved is not just nationalisation, not just statisation, it is the

wielding by the state power, through measures adapted to the objective political, economic and social conditions of the country, of effective and efficient control over the production and distribution of goods. As Lenin rightly says in the same passage:

"Those who fail to understand this are committing an unpardonable mistake in economics. Either they do not know the facts of life, do not see what actually exists and are unable to look the truth in the face, or they confine themselves to abstractly comparing 'capitalism' with 'socialism' and fail to study *the concrete forms and stages of the transition* [18] that is taking place in our country. . . . It was not without reason that the teachers of socialism spoke of *a whole period of transition* [18] from capitalism to socialism and emphasised the 'prolonged birth-pangs' of the new society. And this new society is again an abstraction which can come into being only by passing through a series of varied, imperfect concrete attempts to create this or that socialist state."^[19]

These are, indeed, the concrete problems of the transition from capitalism to socialism which are posed *for an entire historical period* and which have to be solved *in each country under specific conditions*.

Up to now, many fundamental problems of the economy in transition towards socialism have been connected with the fact that the revolution has not taken place in countries where the productive forces were most highly developed but, on the contrary, in countries where the productive forces were relatively less developed. This means, to use Lenin's formula, that these countries are *politically advanced* but *economically backward*.

Two further observations regarding this valuable work of Lenin's.

Strongly emphasising the character of the Soviet economy of the time as an economy of *transition* from capitalism to socialism, Lenin points out that the fact that the Soviet Republic calls itself a *Socialist* Soviet Republic does not imply "that the new economic system is recognised as a socialist order",^[20] but rather "the determination of Soviet power to achieve the transition to socialism".^[21]

It is clear that at the present time the Cuban economy, for example, is not yet a socialist economy but an *economy in transition* from capitalism to socialism. Thus, all deductions and "recipes" formulated on the basis of an abstract conception of "socialism" are without any practical bearing for this economy.

To suppose that decisions to expropriate or nationalise settle everything and ensure the coming to birth of a new mode of production is truly to fall into "juridical illusionism".

In all the writings in which he dealt with problems of organising the Soviet economy, Lenin emphasises the transient nature of that economy as it was at that time, and expresses his concern to see a *concrete adjustment of the forms of organisation to the level of development of the productive forces*.^[22]

This means that it is necessary to determine, in each concrete case, the

specific forms to be given to the new production-relations and to the organisation of production.

In order to ensure the effectiveness of the management of the economy, these specific forms must be adapted to the level and the specific features of the development of the productive forces of each country, and also to all the characteristics -- historical, political (including the level of class consciousness) and cultural -- of the given country and even of the different branches of its economy.^[23] Thus it is not by accident or by mistake that the agrarian reform in Cuba has specific features that mark it off from the agrarian reforms carried out in other socialist countries.

If the concrete forms of managing the economy could be deduced from abstract categories, there would be only a single "model" for the transition to socialism, a single model for agrarian reform, etc. The experience of the socialist countries themselves, especially that of Cuba, shows that this is not so. What exists is only "a series of varied, imperfect concrete attempts",^[24] at creating a new social order.

III The withering-away of the commodity categories

The passages in Mandel's writings which deal with the survival and withering away of the commodity categories in the sphere of the distribution of consumer goods do not call for any particular comment. It is otherwise, however, when he criticises the idea that the means of production still retain today the character of commodities inside the socialist sector, even in the economically most advanced countries, such as the Soviet Union. Here we find the old Bukharinist claim (from the time when Bukharin was an "ultra-left") that at bottom there is only "transfer of a product from one factory to another within a single great state trust".

In order to develop discussion on this important subject let us take some of the arguments formulated by Mandel in the article already quoted. One of his arguments is that in the sphere of production of means of production in a planned economy, the labour expended is always and in all circumstances socially necessary labour.

To "prove" this claim he says that it is only when the "possibility of overproduction" exists that labour-time can be wasted. Well, now, he goes on, though it is certainly possible that some consumer goods produced by socialist industry may remain unsold, it is inconceivable that the same thing could happen to means of production. He writes:

"Can there be 'overproduction of the means of production' in the socialist sector? Obviously not. If 'by bad luck' the production of means of production exceeds the plan figures or runs ahead of the plan's technological forecasts, there is nothing to stop socialist industry from using this surplus in order to go forward to a more advanced stage of expanded reproduction, either at once or in the future. Consequently, the means of socialist production, being never 'unsaleable', cannot contain 'socially unnecessary' labour. They crystallise social labour immediately and automatically, and have no need of the medium of ex-

page 173

change in order to do this. They are therefore not commodities" (*Art. cit.*, p. 24.)

The superficiality of this "proof" is obvious. In the concrete reality of the transitional economy, or even in the entire first stage of the socialist economy, there may and do exist many reasons why, in practice, the means of production supplied by the socialist sector and intended for the same sector may prove to be ultimately unsaleable, or unsaleable for a more or less lengthy period, or of mediocre utility. This can happen because of short-comings in the quality of production, disproportion in the production of different means of production, and so on. When this happens, on a socially significant scale (and it does happen, and not only in Cuba), it

means that the level of social forecasting of the needs of the production sphere and of the technical and technological conditions of production is still low. Yet it is only a sufficiently high level and quality of forecasting of social needs that can determine in advance that the labour expended in producing means of production will be socially necessary. So long as this level of social forecasting is unattainable (and this is a programme that is very much more than a mere matter of planning technique), it is still mainly the case that means of production are *sold*, and sold at prices roughly corresponding to their *value*, within the framework of production-programmes that conform to the central plan, which shows the socially-necessary character of the labour expended in their production and the investments committed in order to make this possible.

Here we come again upon another fundamental point, related to the notion of "socially necessary labour": it is not enough for a product to be "sold" for the labour expended to produce it to be *wholly* socially necessary. For that, the total amount of social labour expended on producing the given article must correspond to the *social utility* of this article. This is what Marx says in his letter to Kugelmann of 11th July 1868. Mandel refers to this letter, but without drawing the conclusion to which it leads us, namely, that one of the fundamental problems is to determine, in a socially satisfactory way, how to distribute society's labour among the various branches of production, which implies distribution carried out proportionally to the respective needs that exist for the various products.

At the present time this cannot be completely accomplished by the plan mechanism alone in any of the socialist countries.

To a very large extent, still, the distribution of social labour among the different branches of production, and the adaptation of this distribution to the relative importance of the various needs, and to social utility, can be effected only through mechanisms which are similar to those of the market but which operate in subordination to the plan's targets and social purposes. As the economy becomes more and more complex, the tendency is increasingly for direct links to be established between the production-units, and, when these units are not technically and economically integrated, to the concluding of contracts which lay down in

page 174

concrete terms the quantity and quality of the various goods that have to be supplied by one enterprise to another.

Actually, in a socialist economy, even in the countries with the highest developed productive forces, the distribution of means of production among the factories takes place only *partly* through the plan. In a very large number of cases, the plan allocates not particular use-values (i.e., definite means of production), but financial resources.^[25] These financial resources are for more or less *general* use. The *concrete* provision of material goods, of means of production, is accomplished often, and even more and more frequently as the economy grows more complex, by way of buying and selling transactions. It is thus necessary at present for millions of economically elementary decisions to be taken, relating to millions of means of production. These decisions, and the operations of production and distribution that follow from them, are regulated by means of money -- in accordance, of course, with the volume of credit assigned by the planning organs. If this is so, the reason is that, in a very large number of cases, *economic calculation* ("business accounting") cannot yet be fully effective at any level higher than that of the production-units.^[26]

These are facts, and facts that do not result from mistakes or deviations from an abstract model of the socialist economy. They result from present day objective necessities. One may think, of course (I think so myself) that these necessities are destined to disappear in the fairly

near future, and this will alter the conditions in which the planned economy operates, but for the moment these necessities exist. To try to ignore them can lead only to squandering the labour expended by the producers and reducing the *effective* domination of the economy by the planning authorities. While giving oneself the illusion of planning "more closely" one would merely be planning less well.

When we go deeper into these problems we come again upon the question of the conditions necessary for the commodity categories to wither away. This withering-away is not, in my opinion, linked with increasing centralisation, but rather with ever closer integration of the different production-units, that is, with the development of closer and closer organic ties between these production-units. One of the consequences of a development like this, itself bound up with the automation of production and management, will be the assigning in advance of an increasing number of means of production to their ultimate users, and this on the basis of rigorous forecasting. This will form one of the objective foundations for the withering away of the role of money within the socialist sector. But this is not yet the situation today.

If we are unable to recognise the specific features of the present situation, if we try to apply forms of organisation and forms of circulation of the means of production that do not correspond to the level of development attained by the productive forces, we shall achieve only a great deal of wastage and a very serious state of inefficiency in the economic system.

To refuse to recognise that there are objective reasons why the com-

page 175

modity categories still exist inside the production sector, or to try and "exorcise" this reality in the name of an abstract and "pure" image of socialist society, is to promote the wasting of resources and hold back the development of the socialist economy, and so to delay the coming of the moment when the commodity categories will disappear because the time for this to happen will really have arrived.

IV The prospects of technico-economic integration

It is noteworthy that the conceptions we have just been criticising are at variance not only with the actual situation in the socialist economies, or the economies in transition to socialism, but also with the real tendencies which, at the present stage in the development of their productive forces, are characteristic of the recent evolution of these economies.

In fact, the very growth in the volume of production, with the increasing diversification of products, and of the technological channels by which the different products can be obtained, are everywhere accompanied today by a more and more obvious need to recognise the existence of the commodity categories within the socialist sector. This need is especially imperative when it is sought to cut down as much as possible the expenditure of necessary labour for obtaining a social product adapted to social needs. >

At the present stage of development of the productive forces of the socialist countries it is possible to see clearly that detailed production programmes for enterprises supplying consumer goods cannot be worked out from above but must result from the orders received by these enterprises.^[27] From this standpoint, the current plan for the production of consumer goods, worked out at the national level, must ultimately take very full account of the needs expressed by the consumers, in so far as this is physically possible (given the resources available), and while respecting the requirements of coherence between the plans and, above all, of *social priorities*.^[28] If the needs expressed by the consumers are not taken into account, what results is that the labour contributed is wasted.

In the second place, some of the need for raw materials or semi-finished goods on the part of the enterprises supplying consumer goods cannot be determined centrally, and this has to be done by way of direct agreements between the enterprises supplying consumer goods and those which provide them with raw materials or semi-finished goods. Actually, in the present state of things, this is how it is possible for qualitative and quantitative adjustment to take place effectively between the needs of one group and what the others supply.

Finally, once the plan has laid down, centrally, the targets for investment, the allocation of investments by production-categories, the essential conditions for their location, and the main types of equipment to be produced as a result of these investments, the concrete putting into effect of most of the programmes of production and investment, resulting from the central plan, which have to be carried out by the enterprises is also based on the presupposition that it is the latter who are to settle between

page 176

themselves the volume, quality and delivery-dates of supplies, so as to ensure that the plan is realised under the conditions most advantageous to society.

In the conditions of today, the increasing complexity and diversity of production, the multiplication of the number of enterprises, and so on, make ever more difficult, and even impossible in practice, adequately detailed central forecasting of the different kinds of production and their allocation. It is this impossibility of sufficiently precise central forecasting of needs for different categories of products that makes it necessary to establish direct links between production-units, a system of orders, purchases and sales, and so the temporary extension of the sphere of commodity activities inside the socialist sector itself.

This extension takes place, however, only in so far as the growing complexity and diversity of production are not yet balanced by adequate progress in the technical and economic integration of the different production-units (which thus continue to be economic subjects).

The significance of this integration process is the following: within a large integrated group (and the practical forms of integration may vary), changes that the volume and structure of production undergo at one end have an impact which is precise (i.e. *calculable*) on what has to be supplied by the other members of the group. Thenceforth it is possible to make calculations in advance and calculations of optima (as experience has shown), and it is no longer necessary to use, between the different members of these groups, the procedure of contracts, orders, purchases and sales. In proportion as integrated technico-economic groups like this develop, it will really be possible for the commodity categories to disappear.

To consider the purely technical aspects of the integration process would be to go too far outside my subject. Let it suffice to say that this integration does not necessarily imply the formation of physically amalgamated "production-units". It may be assumed that what will play the decisive role in this connexion will be standardisation of products, increasing interdependence of branches of production, automation and the development of methods of managing production-units by electronic groups, with telecommunication links between these electronic groups.

Whatever may be the technical process whereby production-units become integrated (and so cease to be "economic subjects"), it will be seen that the prospect before us makes it foreseeable that from a certain moment onward the plan will have to concern itself only with relations between a relatively limited number of large integrated economic groups. Thereafter, forecasting on the social scale will become increasingly precise and strict. At that moment the commodity categories will be able to vanish for good.

This prospect must lead us to make a careful distinction between administrative centralised planning, which was, for particular historical reasons, the form taken by the first Five-Year Plans of the Soviet Union (not so much because of the low level of development of the productive

page 177

forces as because of the exceptional investment effort that had to be made at that time), and technico-economic centralised planning, which, in my view, will be the form characteristic of a fully developed planned economy.

V Prices and calculations in labour-time

The foregoing discussion can be continued on another level.

It is a fact that in none of the socialist economies, or the economies in which socialism is being built, are economic calculations made in terms of labour-time. Everywhere these calculations are made in prices, and this is true both for consumer goods and for means of production, for goods passing from the socialist sector into the other sectors of the economy and for goods circulating within the socialist sector. We have to consider the underlying significance of this fact.^[29]

The only possible explanation, from a Marxist standpoint, is that the labour-time actually expended on producing means of production is not yet, under present-day conditions, wholly and "automatically", *socially necessary* labour-time, i.e., labour-time proportionate to the social utility of the different products. This is one reason, among others, why it is unavoidable not merely to reckon and calculate in terms of *prices* but also to make *payments* on the basis of prices which are not and cannot be strictly and always proportionate to the labour-time actually expended.^[30]

The prices used in the socialist economies of today thus may, and indeed must, diverge from values, because there may have been devoted to the production of a given product (whether an article of consumption or a means of production) more social labour or less than was justified by the social need for this product. In turn, this possible divergence between the time actually expended and the time socially necessary may result either from the objective impossibility of measuring beforehand the social need for a product (this is thus not merely a matter of occasional mistakes), or from the impossibility of determining in advance the amount of labour per unit necessary for the production of a particular category of products, taking into account the qualities and the specific features these must have in order to be able to satisfy social needs.

Similarly, divergences between prices and values may be made necessary if it is desired to ensure optimum use of existing plant, within the framework of a plan the final targets of which have been laid down, while the economic subjects in the production sphere are allowed decision-making powers corresponding to their degree of effective control over the production processes.

In so far as a sufficiently detailed and exact forecast of, on the one hand, needs, and, on the other, the means of labour necessary in order to satisfy these needs, together with the conditions for optimum use of these means, is not yet possible, calculation in terms of "prices" (differing more or less from values) is therefore necessary.

What follows from this is that calculation of prices and calculation of costs are two different things. Accordingly, the economic and social basis

page 178

for the survival of the commodity categories lies in the fact that at the present time the interdependence of the different productive activities is neither strictly predetermined nor always capable of exact predetermination, and that, consequently, the different production-units or economic subjects are obliged to behave as "relatively independent producers".

Between these "producers" (which are working groups), mediation has to be provided, and this cannot at present be done by the plan alone. The socialist market has therefore to play a part in fulfilling this task. Within it, the different economic subjects, whose basic production targets are laid down by the plan, are both decision-making centres and units for specific calculations.

VI Ownership and subordination

The foregoing amounts to saying that the economy does not yet function as a single unit for the appropriation of nature, or as a single working group. In other words, in the socialist societies of today each production unit, or each economic subject, still constitutes a relatively autonomous centre for the appropriation of nature.

This economic situation finds juridical expression in the fact that each production-unit "owns" its means of production and its products. This "ownership" obviously has nothing in common with what Roman law means by ownership, or with capitalist ownership, since it is "ownership" subordinated to the wider ownership of its enterprises by the proletarian state. In practice, the pre-eminence of State ownership means not merely that the enterprise is currently subordinate to the plan but also that the state is able, should this be socially advantageous, to abolish a particular enterprise, or to transfer part of its means of production to another enterprise. The continuity of expanded reproduction obviously requires that operations like these (transfer or abolition) should take place only in exceptional cases.

These are some of the facts revealed by analysis of present-day concrete situations. Failure to recognise these facts, either in the name of an administrative conception of planning or in that of "theoretical" views which reflect the absence of any concrete analysis^[31] of the conditions for building socialism, and of any exact notion of the transitional phases through which the economy of a country building socialism has to pass,^[32] leads to attempts to establish relations between production-units which do not correspond to objective requirements.

Attempts of this kind can entail disastrous consequences in the actual working of the economy, and this for many reasons. They set up a system of imagined relations, or an "explicit model" which does not correspond to the real relations. The latter form, so to speak, an "underlying" model, behind the "explicit" one, but since this is not without influence on the actual working of the economy, the result is a "real model" which has its own laws of operation, laws which are partly masked by the "explicit model", so that the "transparency" of the economy is much reduced.^[33]

page 179

On the practical plane, this leads to a generalising of irresponsibility and waste, and makes true economic calculation difficult or even impossible -- and likewise, therefore, real social control. In extreme cases, the effect is to make planning itself to some extent illusory.

It is simplistic to suppose that recognising the existence of a certain form of subordinate "ownership" by economic subjects of their means of production (or, if the expression is

preferred, a certain right of use and disposal of these means of production) must involve "negating" ownership by the state. In reality, as has been stressed, these economic subjects are themselves subordinate subjects so long as the economic plan and state ownership play a fundamental role in all major decisions.

The fact that the different economic subjects of the production sphere are subordinate subjects is shown in the way that the state plan lays down the conditions for forming accumulation funds and consumption funds. The total amounts of these funds, and the main ways in which they are to be used, are not determined by the laws of the market but by society's will. Investment funds are assigned (allocation of investments between branches in accordance with the long-term aims of development, choice of principal production techniques, main decisions about location, etc.) in conformity with socially determined targets. There must, of course, be coherence between the socially made choices, both at the level of investments committed and at that of aims to be attained. It is the fundamental task of planning to work out such coherence in advance, together with the socially optimum use of resources, in order thus to ensure the achievement of society's purposes. In this way an economy develops which is subject no longer to the laws of profit, but to social priorities and aims.

The formation, at the level of society, of the accumulation fund means that, through proletarian state ownership, whatever is not "labour for oneself" takes the form of "labour for society", and is no longer labour for an exploiter.

Depending on the extent of social control which it is actually possible to exercise over production and expanded reproduction, that is, depending on the stage of development reached by the transitional society, or the socialist society, planning can play a great variety of roles.^[34] It is not, in the main, by the degree and forms of planning that the "extent to which socialism has been achieved" is to be judged. Indeed, the "essence of socialism" (if one wants to use this expression) is not planning but *the ending of exploitation of man by man*. The latter, in turn, presupposes not only the juridical form of state ownership but also, and *above all*, a specific content of state power and specific conditions in which it is exercised (role of the party, etc.). These are concrete questions which require that the problems be studied in their totality, taking account of the inter-relation between the economic, social and political facts of the situation.

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No. 126,
April 1966, pp. 57-76.)

NOTES TO CHAPTER 5

1 *Economica* (Havana), June 1964. Cf. *supra*, Ch. 4, note 1. [p. 163]

2 Ch. 27 of Book III of *Capital* (p. 477 of the Moscow German-language edn. of 1933; p. 102 of Vol. VII of the Editions Sociales edn.). (Eng. version from *Capital*, Vol. III, FLP edn., p. 427.) [p. 164]

3 *Das Kapital*, Book III, p. 478 (pp. 102-3 of Vol. VII of the Editions Sociales edn.). (Eng. version from *ibid.*, p. 428.) [p. 164]

4 It will here be seen how, when analysing real social relations, Marxism goes far beyond narrowly juridical categories, and this, among other things, enables it to grasp concretely the extreme diversity of the social relations that can be covered by the general and abstract category of "collective ownership" or "state ownership". [p. 164]

5 *Das Kapital*, III, pp. 479-80 (p. 106 of Vol. VII of Editions Sociales edn.). (Eng. version from *ibid.*, p. 429.) [p. 165]

6 *Das Kapital*, III, p. 482 (p. 106 of Vol. VII of Editions Sociales edn.). (Eng. version, *ibid.*, p. 431.) [p. 165]

7 *Critique du Programme de Gotha et d'Erfurt*, Paris, Editions Sociales, 1950, pp. 81-2. (End. edn., p. 54.) [p. 165]

8 *State and Revolution*, in Vol. 25 of Lenin's *Oeuvres complètes*, 1962 edn., p. 478. (Eng. version from *Collected Works*, 4th edn., Vol. 25, p. 442.) [p. 165]

9 Thus, to the cyclical retardation of the development of the productive forces, or even the cyclical setback or destruction of these forces, is now added the systematic directing of an ever greater proportion of the accumulation fund towards non-productive ends (armaments, etc.), that is, an attempt to sterilise permanently an increasing

proportion of the productive forces. [p. 166]

10 Lenin, "[The Impending Catastrophe and How to Combat it](#)", in *Oeuvres complètes*, Vol. 25, edn. of 1962, p. 390. (Eng. edn., *Collected Works*, 4th edn., Vol. 25, p. 359.) [p. 166]

11 State and society show the unity of a contradiction. It is from this very contradiction that there follows the contradiction (and the unity) of state ownership and social ownership. [p. 166]

12 Is it necessary to recall that ten years passed between the proclamation of Soviet power and the First Five-Year Plan? Do we have to recall that this plan answered only very partially the requirements for socialist planning, and this not because of reasons connected with "planning technique" but because of profound social and economic reasons connected especially with the degree to which the productive forces were really socialised? [p. 167]

13 Cf. Bettelheim, "Formes et méthodes de la planification socialiste et niveau de développement des forces productives", *La Pensée*, February 1964 (*supra*, Ch. 3) and "Les cadres socio-économiques et l'organisation de la planification sociale", *Problèmes de Planification*, Cahiers No. 5, Centre

page 181

d'Etude de Planification Socialiste, École Pratique des Hautes Études (VI[e] Section), 1965 (*infra*, Ch. 5). [p. 168]

14 We will ignore the last phrase, with its polemical content, which could be turned against the writer himself by retorting that, if he asks this question it is perhaps because he is one of those who think that if reality does not conform strictly and immediately to the picture they have of the socialist economy, then one must doubt whether socialism is possible in countries that do not conform to their *a priori* view of things. [p. 168]

15 *Oeuvres complètes*, Vol. 27, pp. 348-9. (Eng. edn., pp. 333-4.) [p. 169]

16 Cf. the quotation from Engels, *supra*, p. 165. [p. 169]

17 Vol. 27, pp. 360 and 365. (Eng. edn., pp. 345 and 349.) [p. 170]

18 My emphasis, C.B. [p. 171]

19 *Ibid.*, p. 356. (Eng. edn., pp. 340-1.) [p. 171]

20 *Ibid.*, p. 350. (Eng. edn., p. 335.) [p. 171]

21 *Ibid.*, p. 350. (Eng. edn., p. 335.) [p. 171]

22 A particularly interesting passage is this one, taken from a resolution adopted at the Ninth Congress of the Bolshevik Party (in 1920), a document drawn up under Lenin's direct inspiration:

"The way in which industry is organised at present is transient. The workers' state has nationalised the capitalist trusts, making various enterprises in the same industries join these trusts, and uniting, in trusts conceived according to the pattern of these capitalist trusts, industrial enterprises which had not been trustified under capitalism. Industry has been formed into a series of mighty vertical organisations, economically isolated from each other and linked together only at the top, by the Supreme Council of the National Economy.

"Whereas under the capitalist regime each trustified enterprise could obtain raw materials, labour, etc., in nearby markets, these same enterprises have today to receive everything they need through the orders of the central organs of the unified economy. With the huge size of the country, however, and owing to the extreme instability and uncertainty of the principal factors of production, the disorganised state of transport . . . the as yet highly inexact procedures and methods of economic statistics, the centralising methods that have resulted from the first period of expropriating bourgeois industry, and which have inevitably led to the dissociation of the enterprises (in the towns, provinces, districts and regions), have given rise to monstrous forms of 'red tape' which are doing irreparable harm to our economy." Quoted from Lenin, *Oeuvres complètes*, Vol. XXV of the edn. of 1930, p. 621. [p. 171]

23 The need for these adaptations (and of great creative initiative in conceiving them) must not be confused with some strict "proportionality" or other that allegedly has to be maintained between economic forces and political ones, or between economic forces and forms of organisation. Such strict "proportionality" cannot exist, under the conditions of a transitional economy marked by internal unevenness of development. As Lenin says:

page 182

"Such an argument can be advanced only by a 'man in a muffler' who forgets that there will always be such a 'discrepancy', that it always exists in the development of nature as well as in the development of society, that only by a series of attempts -- each of which, taken by itself, will be one-sided and will suffer from certain inconsistencies -- will complete socialism be created by the revolutionary co-operation of the proletarians of *all* countries." (*Oeuvres complètes*, Vol. 27, p. 361. Eng. edn., pp. 345-6.) [p. 172]

24 *Ibid.*, p. 356. (Eng. edn., p. 341.) [p. 172]

25 Hence the important role played by the "financial plan". [p. 174]

26 It is not possible to undertake here an examination of the *conditions* and *limits* of the *social* effectiveness of this elementary (or "basic") economic calculation. I say something about it in No. 5, already mentioned of *Problèmes de Planification*. (See Ch. 2 of this book.) [p. 174]

27 Most often, these orders will reach the producing enterprises through state trading organisations which are themselves in contact with the consumers. This is the mechanism perfected in China and which at the present time

makes it possible for the detailed production-programmes of the enterprises supplying consumer goods to be brought up to date every quarter (see *La construction du socialisme en Chine*, by Ch. Bettelheim, J. Charrière, and H. Marchisio, Paris, Maspero, 1965). [p. 175]

28 At this level, respect for social priorities can be ensured to some extent by using the retail price mechanism. [p. 175]

29 Quite obviously, it is no answer to the questions that this brings up to say that there is nothing here but the retention of the "external forms" of commodity transactions, on the grounds that, when what are involved are means of production that do not leave the socialist sector, they are not "real" commodities. The appearance or disappearance of an economic category (here the 'category' called a 'commodity') cannot be decided by juridical property forms but only by the objective conditions under which the economic system itself functions. It is no answer, because the connexion is overlooked between the existence of prices, together with sales and purchases, and the non-existence (and present impossibility) of reckoning in terms of labour-time. [p. 177]

30 This brings up the problem of prices and what they signify in the socialist economies of today -- a problem too enormous to be tackled here. Let me merely recall that prices play an extremely complex role in a socialist economy. They express both value and social utility. They provide the basis for centralised calculations and also for decentralised ones (at the level of the production-units or economic subjects, for whom prices serve as information in a condensed form). They are one of the foundations of the circulation of money among the enterprises, and so on.

To the extent that prices not only reflect the present market situation and the individual forecasts of economic agents, but also take account of both value and social utility, they serve as the basis for the functioning of a *socially controlled* market. So long as such a market is still needed, the

page 183

planning of prices is, alongside the planning of investments and incomes, the most effective means of social control of the development of production on the basis of state ownership. (On the relation between value and price, see Maurice Godelier's contribution to No. 3 of *Problèmes de Planification* (École Pratique des Hautes Études).

[p. 177]

31 Very often the absence of concrete analysis results from facile identification of "administrative planning" (through which, it seems, countries are more or less obliged to pass immediately following a thorough change in the mode of production) with the economic planning which is characteristic of the further development of a society on the road to socialism. [p. 178]

32 This proposition does not mean that in all countries the transitional phases must necessarily bear the same features. This is a complex question on which I have no time to dwell here. [p. 178]

33 The terms "explicit model", "underlying model" and "real model" are used in a theoretical analysis by Isy Joshua, as yet unpublished. [p. 178]

34 It will be seen that all this brings up the problem of the distinction and the relations between a planned economy and a market economy. Simplistic contrasting of these two types of economy can be relevant only at a level of abstraction which has nothing to do with any practical reality. The real problem is that of the *class* character of a given society and the *dominant features* of a concrete economy. Besides, the relations between the market forces and the forces of the plan are obviously bound to change in the course of time, with the very development of the productive forces and all the changes that accompany this growth, on the planes of organisation, of consciousness, etc. [p. 179]

6: The problem of prices in the socialist countries of Europe (Some reflexions on a recent debate)^[1]

For about ten years now the problem of prices has been extensively discussed in the socialist countries. This problem is one of decisive theoretical and practical importance for the further development of the socialist economy: a coherent price-system in conformity with the requirements for the building of socialism is an indispensable tool both for good day-to-day management of enterprises and for satisfactory economic planning.

A system of prices like this is, of course, needed from the very beginning of the process of transition to socialism, but the need for it makes itself felt still more acutely as the economy becomes more complex and interrelations are multiplied between the different branches and centres of production. Only at a still higher level of the productive forces will conditions exist for the value form to disappear, and, with it, the role of prices.^[2]

In the present period, prices still have an indispensable role to play, but they can play it only if they are not fixed "arbitrarily", that is, provided that they express the social conditions of production and the requirements for changing the economic and social structures.

For many years, most decisions relating to prices in the socialist countries of Europe have been taken on a day-to-day basis. Generally speaking, these decisions did not reflect any overall theoretical conception.^[3]

In the same way, for a long time the economists of the socialist countries mostly confined themselves to describing current practice, trying to justify it and analysing certain of its consequences, in order, sometimes, to suggest changes on one point or another, usually some point of detail.

The recent debate has therefore presented, in the breadth of its subject-matter, a striking contrast with past habits. Nevertheless, the results of this discussion still remain very limited.

When we try to consider the debate as a whole, we are struck by the absence of any firm and uniform statement of the problems at issue. This has contributed to no small extent to rendering the debate unfruitful. On

the theoretical plane it would not be exaggerating to say that the discussion has failed to result in any decisive step forward; this does not mean that there were not a certain number of important contributions, thanks to which the nature of the questions raised is today clearer than it was before.

This being so, it is not surprising that the impact of the discussion on the practical measures that it had become urgent to take was relatively limited, although some of the decisions adopted during recent years, in certain socialist countries of Europe, have been inspired by theses that were put forward in the course of the theoretical discussion. It should be observed that the mutual contradictoriness of these theses has found expression in the lack of uniformity of the measures adopted in the various countries.^[4]

The (on the whole) unsatisfactory character of the debate about prices, from the theoretical standpoint, explains too why price-reform in the Soviet Union (especially reform of industrial wholesale prices) has been put off from one year to the next, though it was announced so far back as 1960. There are, of course, practical reasons, too, that account for these postponements, but the latter have now resulted in such substantial disadvantages for the Soviet economy that a price-reform must be carried through on 1st July 1967.^[5] It is to affect, in the first place, wholesale prices in heavy industry. (Cf. *Sitnin*, No. 57, p. 45.)

If the debate can be described as comparatively sterile, this is because, at the theoretical level, it has not noticeably advanced the analysis of the problem, as is shown by the reappearance again and again, during the period concerned, of the same themes and the same arguments, a sign of the circular nature of the discussion.

Very recently, however, the discussion escaped from this circularity, but only in so far as it moved on to fresh ground and confronted fresh problems. This shift in the subject-matter of the discussion (which had at first been centred mainly on the problem of prices and later mainly on problems of the management of enterprises and of planning the economy), when the questions previously under consideration had been answered only very partially and inadequately, confirms that the way the theoretical problems were presented was unsatisfactory, something I shall have more to say about later.

While it is important to consider the content of the discussion and the main themes tackled, which is what I propose to do here, it does not appear to me to be useful to go over the history of the debate itself, owing to the restricted nature of its outcome.

On the other hand, it does seem necessary to recall what has been, and still largely continues to be, the price-system in the Soviet Union, that is, in the country where the discussion began and whose price-policy has, in the past, inspired to a very great extent the decisions taken in this same sphere in the other socialist countries of Europe. A quick look at this price system will enable us to understand better what were the most

page 186

immediate concerns of those who took part in the discussion, and the limits which these concerns imposed on the scope of the problems discussed, from which follows the need for more precise formulations.

I The price-system in the Soviet Union at the beginning of the 1950s

The price-system prevailing in the USSR at the beginning of the 1950s was a real product of history, being, in a sense, derived from the price system left behind by the N.E.P. The latter was, broadly speaking, a system of market prices which had already been partly modified by regulation based on political and social considerations, and above all, by the dominant role played in industry by the state sector.^[6]

At the start of the Five-Year Plans, those prices which had not already been regulated were

brought under regulation, which meant that from then onward all industrial prices were transformed into "*administered*" or "*regulated*" prices,^[7] fixed by the relevant state organs.^[8]

Transactions between state enterprises had to take place on the basis of these prices. Wages also being regulated (taking account, to start with, of their historically determined level), the state enterprises operated within a framework of "regulated costs".

As time went by, the price-system that was the "legacy" of the N.E.P. naturally underwent modifications, which, though considerable, were usually partial in character, and never called in question the "historical basis" of the prices concerned. Thus, when new products were manufactured (and millions of new products have appeared between 1927 and the present time), their prices were determined by taking as basis their cost of production -- this being itself determined by historically given prices -- at the time when they began to be manufactured (or the cost of production expected when manufacture had been extended to a sufficiently large scale), plus a certain "profit-margin". The entry of new products into the production cycle of a particular group of users gave rise, also, to revision of their selling prices. However, the price-system was never really re-cast so as to take into account the specific requirements of a planned economy.^[9]

Thus, although, in the end, prices taken individually have become increasingly different from what they were in 1927 (owing to technical changes and changes in wage-levels), the *structure of the price-system* has continued to be deeply marked by its origins.

True, with the passage of time this structure has also become marked by a number of decisions which were relatively independent of the changes that have come about in production-processes and costs of production. Some of these decisions were mainly inspired by financial necessities, while others aimed at using prices as tools of "economic calculation" ("business accounting").

As regards financial necessities, these led to changes, big and small, in the profit-margins added to the costs of production of the various

page 187

products, and also to changes in the rates of the taxes (this meant, mainly, the turnover tax) embodied in the prices paid by users.

Consequently, the ratios between costs of production and selling or buying prices varied a great deal from one period to another. They were also very different as between one product and another.

Generally speaking, the variation in ratios between selling prices and costs of production was not the result of applying coherent principles to differing situations, but rather of decisions taken in different directions in response to the varying requirements of different periods, or, quite simply, of the greater or lesser convenience of using one particular product rather than another as a source of financial receipts.

This situation greatly reduced the possibility of using prices as a tool of economic calculation. In general, therefore, they were used for this purpose only in an accessory way. Prices were considered above all as a means of accounting for the receipts and expenditure of enterprises, that is, of checking on their operations from the financial point of view. In principle, investment decisions and production plans were not supposed to be much affected by the financial results of the working of individual enterprises or branches of the economy. The drawing up of plans was to be based, above all, on determining a number of targets regarded as

being strategically important for the general development of the national economy and the satisfaction of the people's needs. Adjustments between targets were thus effected, during the drawing up of the plan, essentially by way of using technical coefficients and material balances.

In fact, it was never possible to be confined exclusively to these principles. In practice, a certain number of decisions, especially regarding the use of a particular raw material or the introduction of a particular technique, were determined or influenced by considerations of price, or of "efficiency" measured by price, despite the very slight economic significance of the prices concerned.

On the other hand, it was generally agreed, even before the reform of the management of Soviet enterprises decided on in September 1965, that the quality of the management of enterprises could be estimated by observing their costs of production. Within the framework of *khozraschet* (the autonomy of enterprises in respect of accounting), which has existed since the N.E.P., one of the criteria for evaluating the quality of management has always been the progress of the profits made by each enterprise, and the latter's achievement of a certain planned level of profitability; if it was a loss that was planned, as was the case with many enterprises, and even whole branches of production, the *reduction of losses* was one of the criteria for estimating the quality of management.

Thus, in practice, a large number of decisions, some important and others only affecting matters of detail, but amounting together to something very substantial, were taken on the basis of calculations made in terms of prices.

The consequences of this situation have always had a very big bearing

page 188

both on the making of technological choices and on day-to-day production operations. It was, indeed, practically inevitable that those responsible for preparing technical projects, or for managing enterprises, should prefer to take decisions that "seemed" more advantageous because they could make it possible to reduce costs of production or permit a "saving" of investments, even though the "advantages" or "savings" calculated like this were, more often than not, merely the result of a certain way of fixing prices and were thus far from necessarily meaning real economic advantages for the national economy.

The tendency to use prices as a means of "economic calculation" has always been regarded as self-evidently justified. This is why the prices of a large number of machines were deliberately fixed at a relatively low level in order to "encourage" their use. Similarly, complicated procedures (often necessitating recourse to subsidies) were introduced in order to encourage both the production and the use of certain products.

In fact, the use of prices as a tool of economic calculation and a way of evaluating whether enterprises were managed well or badly was felt as an objective necessity which came increasingly into contradiction with the price-structure itself, owing to the complexity and even incoherence of this structure.

II The initial concerns of the participants in the debate about prices

The state of the price-system in the Soviet Union about ten years ago, and the similar state of the price-systems in the other socialist countries of Europe, was thus one of the reasons why the debate on prices began. The purpose of this discussion was to make possible a coherent revision of the price-system.

At the start, one of the main concerns of nearly all of those who took part in the debate was to try and simplify the price-structure, by making the formation of prices and their subsequent evolution subject to a few simple rules. It was fairly generally agreed that the simplicity and universality of the rules applied in the formation of prices ought to make the latter comparable, and so "economically significant". It was further agreed that such prices ought to ensure the *profitability* of nearly every enterprise. The problem was seen in almost the same terms in the Soviet Union and in most of the other socialist countries of Europe, in particular in Hungary, where they were primarily concerned to put an end to what was called the "dismemberment of the price system" (Csikos-Nagy, [No. 17](#), p. 256). Some economists (such as Novozhilov, see [Nos. 54](#) and [55](#)) did not accept this "simplifying" point of view, for they were convinced of the complexity of the social cost of production which prices ought to measure, and of the need, if this measurement was to be accomplished, of employing mathematical methods. However, the trend of thought represented by these economists, though important theoretically, has remained a minority trend both in the Soviet Union and in the other socialist countries. This is

page 189

doubtless due to the fact that the theoretical and practical problems raised by the proposals of these economists are very big ones, which call for further research, involving collaboration with mathematicians.^[10]

In any case, in relation to the central line of the debate, the conceptions of those economists who advocate the use of mathematical methods for the establishment of a price-system occupy a position apart. I shall return to this point later.

While the formulae suggested for price-fixing were varied, they were none the less nearly all inspired by two concerns which were added to the aims already mentioned, of simplicity, universality and making profitability general.

One of these concerns was to eliminate "subjectivism" in the fixing of prices -- a concern which, in principle, goes back a long way. Its necessity was declared already by Stalin in his work on [Economic Problems of Socialism in the USSR](#) (No. 58).

The other concern, which is undoubtedly the most fundamental, is to reconstruct the price-system so that it can function as an instrument of *economic calculation*, that is, a means of *guiding* certain decisions. This is bound up, as has been said, with a practice that employs calculations in price-terms to estimate the "advantages" or "disadvantages" of a particular decision -- a practice which, moreover, is unavoidable.

The content of this second concern is given very general expression in formulae such as this: "Prices should reflect the socially necessary labour inputs, that is to say, social costs" (Csikos-Nagy, No. 17, p. 255). Or: "The most important principle of price-formation under socialism consists in ensuring that the prices of commodities correspond to the socially necessary expenditure of labour in producing them" (Tzagolov, [No. 61](#), p. 405).^[11]

III The main proposals

Agreement between the writers stops as soon as the ground of their initial concerns is left behind and they go forward to offer proposals. They are, indeed, divided by very great differences of opinion when it comes to defining how to "measure value", lay down practical "rules" for price fixing, and allow for "exceptions" to these "rules".

To say something at once about the last-mentioned point, it is observable that the exceptions most generally allowed, to the rules proposed, correspond to social and political considerations.

These considerations may lead to certain products being sold relatively cheaply, because they are regarded as "cultural", or there may be others the cost of which is relatively high but which it is desired to keep, or cause to be, in widespread use (new means of production, for instance). The exceptions to the rules that are proposed are related also to the fact that quality is taken into account in fixing prices, and, again, following a practice already mentioned, to desire either to "encourage" certain lines of production by paying high prices to the enterprises that supply them or, on the contrary, "restricting demand" for scarce goods (Tsagolov, No. 61, p. 405).

page 190

The great number of "exceptions" may cause one to ask whether they are not perhaps manifestations of some law overlooked by the proposed rules, but the question has rarely been put in this way, except by economists who take a different line from that of composing "rules" accompanied by more or less numerous exceptions; that is, mainly by the mathematical economists.

As has been said, it is not only on the nature of the exceptions to be allowed to the price-fixing rules that the writers differ, but also on the rules themselves, in other words on the way in which socially necessary expenditure should be calculated.

Close examination of the proposed rules would probably show that there are several dozen of them. In Hungary, for instance, where the debate has been especially lively, the National Prices Office has registered 32 different price-systems (or "models") (Csikos-Nagy, No. 17, p. 255), merely for the purpose of carrying out calculations with a view to choosing the "best" system.

Actually, despite their very great diversity, most of the proposals correspond to three basic conceptions, and combinations of these three. We will first examine the three basic conceptions, and then some others which deserve special attention.

1 *Prices based on "value"*

One conception is aimed at providing a price-system "based on value", referring to Book I of *Capital*. In practice, this conception is interpreted as implying that to the money costs of the various kinds of production must be added a "net income" proportionate to the expenditure on wages required for these kinds of production. One of the first upholders of this conception was the Soviet economist Strumilin ([No. 59](#), pp. 503-80). Though practice has always been remote from anything corresponding, even very roughly, to this point of view, it has almost always been accepted officially that prices are (or ought to be) "based on value", while at the same time the need has been allowed for many "exceptions".

This point of view is the one expressed in the Political Economy Text book of the USSR Academy of Sciences. Among the exceptions regarded as justifiable the Textbook mentions the "fixing below value of the prices of means of production" (USSR Academy of Sciences, [No. 1](#), p. 524). "Fixing below value" is meant in the sense of prices lower than the price that would be fixed if one were to follow strictly the conception of prices "based on value".

Tsagolov's *Course of Political Economy* (No. 61), published in 1963, also takes this line, as we have seen. He allows more or less the same exceptions to the "value" rule as those allowed by the Textbook.

The calculations that have been made in order to compare the various prices (if they had been fixed in this way) with the actual prices are, of course, very complicated. It is, indeed, not sufficient to carry out separate calculations for each product, adding to present money expenditure the

total of actual wages multiplied by a coefficient equal to the average ratio of the net overall income (on the social scale) to the total wages of the workers in the production sector (or the industrial sector). If this were the procedure followed it would leave entirely out of account the fact that the money expenditure of all the branches would itself be altered by the changes that the alteration in the price structure would bring about in the prices charged by their own suppliers.

The problem can be solved only by *calculating an the price-changes at the same time*, something that calls for the use of tables of inter-industrial relations. However, it is out of the question, with the means of calculation available up to now, to work on the millions of actual prices. The calculations that have been attempted have been based on the average prices of the different branches of production. There is no point in emphasising here the technical problems to which such calculations give rise and the necessarily limited significance of the results obtained, owing to the fact that they relate only to the "average prices" of the branches.

At the same time, it is not without interest to illustrate the implications of proposals of this kind by referring to the results of calculations carried out in Hungary, where they have shown special interest in this question.

To make these calculations, the national economy has been assumed to be divided into 56 production sectors, which have then been grouped into seven branches. Calculations have shown that, as compared with actual prices, "prices based on value" would be 10.5 per cent lower in industry, 49 per cent higher in agriculture, 18 per cent higher in transport, and so on (Ganczer, [No. 24](#)). This reveals how far the actual price-system is from being founded on the "rules" that would be imposed by the conception of prices "based on value". According to calculations that have been made, the same is true of other socialist countries, including the Soviet Union.

2 *Prices based on "own costs"*

A second conception has inspired proposals that aim at reconstructing the price-system by "normalising" it, that is, by applying in as systematic and uniform a way as possible the rules of price-fixing which had been adopted in practice more or less spontaneously.

This second conception is often referred to as that of prices "based on average value". The point of this expression seems to be above all to conceal what the conception really amounts to, namely, a conception that has nothing at all to do with "price based on value". It is sometimes described, with more meaning, as the conception of prices equivalent to "own costs".

Concretely, the procedure adopted is this: in order to work out what ought to be the selling price, one adds *to the cost of production, in money terms*, of each product a "net income" obtained by multiplying this cost of production by a certain "standard of profitability".

To a large extent this is in fact how prices were for a long time actually determined, in the Soviet Union and in most of the other socialist countries,^[12]

though, as we shall see, this procedure is now being departed from to an increasing extent.

Through this practice, each time a new product appears and is produced in sufficiently large

quantities to warrant its being given a regulated price, the latter is actually fixed by reckoning the cost of production plus a certain standard of profitability. This is what happens with the *selling prices* of industrial enterprises; the prices actually paid by the buyers may be higher, as a result of various taxes being added to the price.

Further, with regard to actual practice, two more important observations need to be made:

(1) The cost of production which serves as base for calculation is not necessarily the actual cost of production, but is usually an "official cost of production", i.e., the cost of production as "confirmed" by some administrative service. This official cost of production is usually, though not always, the *average* cost of production, as estimated at a certain moment, and it may therefore differ widely from the "actual cost of production" of a particular enterprise.

The problem whether one ought to take as basis for calculation the average cost of production for the given branch, or the *maximum* cost of production (cost of production of an additional unit-product, or of an enterprise which operates *at the highest cost*, but is nevertheless essential if needs are to be covered) is increasingly discussed. With a few exceptions, especially relating to the prices of the products of the extractive industries, practice continues to favour taking the *average* cost of production as basis for calculation, and this is also the view of many economists.

Nevertheless, a strong current of opinion has appeared which favours the adoption of the *maximum* figure, especially among those economists whose attitude to the system of "own costs" is a critical one.

(2) The "profitability margin" is generally very variable as between different products.

However, despite the lack of coherence between the different practical procedures, that is, the extreme variety of standards of profitability and of conditions under which costs of production are calculated, not to speak of the incidence of a number of taxes, calculations show that, by choosing an adequate uniform profitability-standard it would be possible to arrive, using this procedure, at a price-system that, on the average, diverged relatively little from the actual price-system.

Taking the example of Hungary again, we see that there, on the basis of calculations similar to those mentioned above, the prices obtained by applying a uniform standard of profitability (itself calculated so that the average level of retail prices was the same as the actual level) would be, in the case of industrial prices, only 0.4 per cent higher than the actual prices. On the other hand, prices calculated in this way would be 2.9 per cent higher than actual prices in agriculture and 14.4 per cent higher than in transport (Ganczer, No. 24, p. 74). The size of these divergences, where agriculture is concerned, is due to the fact that agricultural prices are fixed

page 193

in a special way, that is, they are not worked out by adding a "profitability-standard" to a cost of production.

The writers who supported the system of "own costs" were mainly in favour of the procedures in force when the debate opened. What they criticised in these procedures was largely the very wide diversity of "standards of profitability" which were applied to different products. For them, "true prices" required that a uniform standard be applied to all of them.

From this point of view, one of the main criticisms made of the "traditional practices" was the "fixing below value" of the prices of means of production, as compared with what these

prices would be if a single standard of profitability were applied.

At first, criticism of the traditional practices, in so far as this aimed not at rejecting but merely at "rationalising" them, was on the whole successful. Thus, to an increasing extent, in the Soviet Union the "standards of profitability" applied to the costs of production of the various products were brought closer together, though not reduced to uniformity. For example, in heavy industry, the margin of profitability, which was only 2.6 per cent in 1940, rose to 13 per cent in 1960 (Tsagolov, No. 61, p. 509).

During the same period, the share of net income in the prices of consumer goods was reduced, though it remains, on the whole, higher than in the prices of means of production. Nevertheless, it is no longer possible to speak of the Soviet Union's having an only slightly profitable heavy industry alongside a highly profitable light industry. Indeed, as a result especially of the policy adopted regarding agricultural prices, a number of branches of light industry are working at a loss (the meat industry) or at the minimum level of profitability (fish and dairying industries).

In general, despite the "rectifications" to which the Soviet price-system has been subjected in recent years, it continues to lack much coherence and to present a number of weaknesses. V. Sitnin, Chairman of the Prices Committee (attached to the Gosplan organisation), has analysed some of these weaknesses in an article in which he also lists the chief features of the reform of industrial wholesale prices now in progress ([No. 57](#)).

One of Sitnin's criticisms of the present price-system in the Soviet Union is that, in many cases, selling prices do not even cover costs of production. Another of his criticisms relates to the very wide variations in the "rates of profit" that present-day prices produce. Thus, the coal industry works at a planned *rate of loss* of 16 per cent of the value of its production-funds (accounts of 1964), while the precision instruments industry works at a rate of profit of 50 per cent. The writer shows that even bigger variations can be found between the rates of profit realised on the different products produced by one and the same enterprise, some being produced at a loss and others at rates of profit of 200 or 300 per cent or even more, without there being any justification for this disparity (No. 57, pp. 37-8).

The lack of coherence in the present price-system in the Soviet Union

page 194

makes it very difficult to "rationalise": to do this, except within rather narrow limits, must in fact entail considerable disturbance in the structure of prices. This is no doubt one of the practical reasons why it has been necessary to wait so long for the reform of the price-system, announced as far back as 1960, to take shape in reality.

The present situation involves disadvantages which are all the more numerous because, since 1965, an increasing number of Soviet enterprises have gone over to a new method of management, which includes evaluating their activity on the basis of profitability.

In other socialist countries in Europe, price-reform has gone further than in the Soviet Union, and has culminated, in most cases, in abandonment of the system of "own costs". The latter nevertheless continues to be applied, at least partly in Poland, in the G.D.R. and in Romania. Even in these countries, however, they are moving farther and farther away from a "pure system" of "own costs", because this system is being combined with others (mainly by including in the price a "rate of profit" calculated in proportion to the investments tied up in the various lines of production).

So as not to have to go back over the system of "own costs", let me say straight away that its chief justification is that it is extremely simple to operate: at any moment the actual or standardised cost of production of a type of product can be worked out by taking the actual money expenditure as one's basis, without having to concern oneself about what this expenditure means or about what is represented by the value of the funds invested.^[13]

It is undoubtedly on account of its comparative simplicity that this "procedure" for calculating prices has remained in force for such a long time and continues to be favoured by many practical men. At the same time it must be observed that no serious theoretical argument can be adduced to justify it. A. Emmanuel is right when, comparing the different price-systems, he writes, regarding the system of "own costs":

"This is the most irrational and absurd system that could be, as regards both its internal implications and its effect in the sphere of foreign exchange. It raises the price of the products of those branches where the coefficient of raw material is high (these are not at all the same as those with a high organic composition, but indeed are generally industries with a low organic composition, such as the light-industry branches), while it lowers the prices of the branches with a low coefficient of raw material, which are generally the ones with a high organic composition, such as the heavy-industry branches." (A. Emmanuel, [No. 20](#), p. 5.)

The lack of theoretical consistency in the system of own costs explains why it is that the writers who have analysed the mathematical structures of the main price-systems (especially so as to bring out the economic implications of a change from one system to another) have, as a rule, not thought it worth while to analyse the structure of the system of "own costs" (Brody, [No. 15](#)).

page 195

3 *Prices based on "prices of production"*

The last of the three main types of proposal mentioned is often described as a system of "price-of-production"-type prices, because most of the economists who advocate calculating prices in a way that can take account not only of the *individual cost* of each product but also of as large a part as possible of its quantifiable *social cost* have sought to refer to the concept of "price of production", as this worked out in Book III of *Capital*. The proposals put forward by these economists have, however, provided only very limited answers to the problems which preoccupied them, and most of the criticisms directed against these proposals are justified. This, however, should not make us lose sight of the decisive importance of the problems of taking into account the actual social costs of different kinds of product.

Within the limits of this article it is not possible to analyse these problems in detail. To do so would take us too far from our study of the discussion on prices (one of the shortcomings of which was, indeed, that it did not tackle these problems, or did so only to a very limited extent). The essence of the matter, however, can be put like this: as a general rule, unless a simultaneous calculation of costs is made, reduction to the minimum of *individual costs* of different products fails to ensure the reduction to the minimum of their *total social cost*, for by reducing the individual cost of some products one causes an increase in the individual cost of others -- at least, after a certain stage has been reached in the socialisation of the productive forces.

On the basis of private ownership of the means of production, the negative effects, from the angle of the *total social cost* of production, of a particular technique or procedure are a matter

of indifference to the capitalists, since the objective laws of the capitalist mode of production cause the decisions taken by the agents of this mode of production to be dominated by their striving for maximum individual profits.

In an economy dominated by social ownership of the means of production, and aiming not at individual profit but at maximum satisfaction of social needs, indifference to social costs is unacceptable, and this is what gives rise to a series of proposals intended, in principle, to make it possible to estimate these costs, which are never seen *directly* by the agents of production themselves.

In what may seem a paradoxical fashion, most of these proposals appear to try to "restore" the prices of production which are characteristic of the capitalist mode of production. Up to a point, this paradox is only an apparent one: price of production represents, in fact, an elementary (or "primitive") way of taking account of certain social costs, those which the very working of capitalism *indirectly* obliged the agents of this mode of production to reckon with. As Novozhilov correctly observes (No. 54, p. 215), it is only by analysing the working of a mode of production which is marked by a *higher* level of socialisation of production that one can grasp

page 196

that this is the actual function of "price of production". However, while recognising this, it is also necessary to recognise the *capitalist limitations* of this price, and what, therefore, the specific changes are that must be made to it in order that it may become something different, a real social price that can effectively be used for certain economic calculations that have to be made under the conditions of transition from capitalism to socialism.

There can be no question of developing here all the implications of the proposals mentioned; that would mean going off on to another subject. I will therefore confine myself to a few points only:

a) One aspect of indirect social costs is this: when production funds are invested for a certain purpose, this usually increases the costs of production for other branches where these funds might otherwise have been invested -- since the more that is invested in one direction, in order to reduce costs of production there, the less can be invested in other spheres, where costs are therefore relatively and indirectly increased. This connexion between costs means that *minimisation of the cost of social production* as a whole can be achieved only in so far as the reduction of some costs does not entail an increase of others. The application of an average rate of profit to the investments made in various kinds of production, and the formation on this basis of a price of production, makes it possible to measure, in an elementary way, this aspect of the indirect social costs of every investment in production.

b) This capitalist measurement of resultant indirect social costs cannot be transferred, just as it stands, to a socialist economy or to transitional economies.

Without going into a detailed study of the changes that must be made in this price^[14] (some of them still need to be worked out theoretically), it can be said that the chief aspects of these changes are as follows:

(1) The socialist economy, as it evolves towards socialism, has not and cannot have any "average rate of profit" (which itself results from the law of value being applied both to the products of labour and to labour-power itself); what it has and must have is a *minimum rate of labour-saving*. This rate can be calculated only as part of a plan: it is not given ready-made by the "economic system", but has to be worked out on the basis of political and social decisions;

(2) Measurements of social costs cannot be confined to applying a simple "mathematical rule", for the size of the indirect social cost of a particular line of production depends on the total structure of production within which this particular production takes place. Now, whereas under capitalism this total structure of production is dominated by the laws of expanded reproduction of capital, under socialism, or under social formations transitional between capitalism and socialism, this structure is dominated by the plan, in which society's estimation of its own needs is expressed. Only on the basis of the plan itself, therefore, can social costs be estimated. I shall come back to this point later.

page 197

Unfortunately, most of the economists who have sought to bring out the social costs of production (with the exception, to some extent, of Novozhilov), have failed to show all the inadequacies of "price of production" as such. This is why what ought to have been an adumbration of a way to reckon up social costs of production appears usually as a mere "application" of a system of "prices of production".

After this parenthesis, the aim of which was to show the nature of the problems raised by the conceptions here mentioned, and the inadequate treatment given to these problems, we can return to describing the main features of the proposals that have been put forward.

In general, according to these proposals, the price of every product should be calculated by adding to its cost of production^[15] a net income proportionate to the investment made in producing this product.

The way of calculating prices thus proposed seems, formally speaking, to consist in applying a "rate of profit" to the investments committed to the various kinds of production, and this is why, as has been shown, this system of prices is described as a "price-of-production" system.

Depending on the particular economist, the investments to which the "rate of profit", or of "profitability", is to be applied are either the entire investment committed to the given line of production (i.e., both fixed funds and circulating funds), or only the fixed funds.

When it comes to the conditions for determining "rates of profitability", the proposals are again very diverse, owing to the empirical or eclectic character of these proposals. It has been proposed that rates differentiated by sectors be applied (cf. Nemchinov, No. 51), or else a uniform rate determined by the ratio between the total amount of investment laid down by the plan and the amount already invested, or one determined by the ratio between planned accumulation and planned consumption, or, again, a minimum rate worked out on the basis of calculations from plan variants, and so on.

In recent years, an increasing number of economists in the Soviet Union and the European socialist countries have come out in favour of conceptions of this sort. In the Soviet Union, one may particularly mention, as supporters of this system, Z. Atlas ([Nos. 4, 5 and 6](#)), I. Malyshev, and V. Sobol ([No. 42](#)), V. D. Belkin ([No. 11](#)), E. Kats and A. Rozhansky (No. 29), and also, though with considerable qualifications, Novozhilov ([Nos. 54 and 55](#)) and Nemchinov ([Nos. 51, 52 and 53](#)).

Contrary to what is widely supposed outside the socialist countries, this conception is not necessarily bound up with the writers' ideas in favour of extensive decentralisation, making planning "more flexible", providing material incentives, or using "profit" as the chief index to the activity of enterprises.

Liberman, for example ([Nos. 38 and 39](#)), has advocated over a period of several years his

views aimed at enabling the profit criterion and material incentives to play a greater role, but without declaring himself either for a substantial change in the price-system generally or, in particular, for

page 198

introducing a system of the "price-of-production" type. Even when, in 1962, Liberman spoke in favour of a conception of "profitability" which would be defined by the ratio between profit and amount of investment in production, he does not seem to have advocated a recasting of the price-system along the lines of "prices of production". Moreover, when the "price-of-production" idea is advocated in its strict form, it is seen to include in the "price of production" a "charge for investments" which does not benefit the enterprise but *is paid into the exchequer*. Consequently, far from being favourable to an increase in the profits recorded by each production-unit, this proposal tends, in principle, to reduce these profits.

Conversely, we observe that most of the supporters of a price-system of the price-of-production type have also declared at the same time for a high degree of centralisation. This is so, in particular, in the case of Nemchinov (cf. No. 51, pp. 40-2) and Novozhilov,^[16] who are both far from advocating a "pure price of production" but are rather in favour of certain procedures that come close to the reckoning-up of social costs.

It is also important to emphasise that most of those in favour of this more or less pure price-of-production system have taken up their position not on the basis of theoretical arguments, such as those aiming at bringing out the indirect social costs of different products, but rather by bringing forward arguments of a "practical" order.

Thus, one of the arguments most frequently advanced by supporters of this kind of price is that it enables the central planning organs to exercise better control over the use made of production funds by the enterprises.

In the same way, it is often said that, if these proposals were adopted, this would make it possible to reduce the investments required by the enterprises. It is, indeed, commonly the case that the enterprises' investments greatly exceed their real needs. In this way the managers try to create "reserves" of production-capacity. This practice, which is bound up with the difficulties the enterprises often experience in obtaining machinery or spare parts at the moments when they need them (owing to defects in the working of the system of technical supply), results, in fact, in a considerable waste of fixed funds. Thus, in 1962, a census and some samplings carried out by the USSR Central Statistical Office showed that about half the stock of machine tools was not being used (on the basis of two-shift working, taken as the norm). This stock represented, according to the investigation, a total value of one thousand million roubles. The same investigation revealed that there was about six thousand million roubles' worth of plant which had not been installed. This amount corresponds to approximately half of the annual investment in new plant (F. Khachaturov and D. Lvov, [No. 30](#)).

In any case, there is nothing to be gained for our present purpose by listing the various arguments that have been put forward for or against this conception of the price-system. To do so would be to enter into the details of the discussion itself.

page 199

It is to the point, however, to note that the price-system that has been introduced in the Soviet Union during 1967 is inspired by the system of prices of production, although it involves substantial divergences from what the logic of this system would demand. The following

figures illustrate this point.

For heavy industry as a whole, the rate of profitability foreseen (this rate is measured in relation to the production funds) is about 15 per cent on the average, which entails an increase in the wholesale prices of industrial products by 11-12 per cent (V. Sitnin, [No. 57](#), [No. 41](#)). This rate of 15 per cent compares with a previous rate of about 10 per cent (A. Komin, [No. 31](#), p. 13).^[17] For a variety of reasons, however, this average actually results from the use of different rates of profitability for different branches: 7.5 per cent in the coal industry (hitherto working at a loss), 15 per cent in the metallurgy of ferrous metals (where previously it was 8 per cent) and non-ferrous metals alike, and in the extraction of oil and gas, a little less than 15 per cent in machine-building, about 15 per cent in the chemical industry (hitherto 20 per cent, on average), 20 per cent in the timber industry (hitherto 8 per cent), and 10 per cent in electric power production. In light industry it would appear that rates of profitability are to vary, if the proposals of the State Committee on Prices are accepted, between 30 and 35 per cent.

As will be seen, although formally prices are to be constructed as "prices of production" (cost of production plus rate of profitability on production funds), in reality the adoption of rates of profitability that differ widely between the branches means that the actual price-structure is far from that which would be given by a price-of-production-type system.

The reasons for these divergences are essentially practical ones. A quick look at a few of them will reveal some of the difficulties involved in going over from one price-system to another, and also the implications of the present price-reform in the USSR.

We must observe, first of all, that to have adopted a uniform profitability rate for all branches would have meant raising certain prices which it seemed necessary to keep stable (retail prices, and prices of certain goods intended for agricultural use). Secondly, account had to be taken, at one and the same time, of this consideration and of the problems posed by the mutual substitutability of certain products, the prices of which it was thought necessary to keep linked. The most typical case is that of "fuel and power" products. Here, the application of a uniform rate of 15 per cent would have meant that a ton of coal would have cost four times as much as its caloric equivalent in oil and twenty times as much as its equivalent in natural gas. On the other hand, equalising the prices of caloric equivalents, with a profitability of zero for the coal-mining industry, would have given profitability-rates (in relation to production funds) of 41 per cent to oil-extraction, 108 per cent to oil-refining and 250 per cent to the natural gas industry (Komin, No. 31, p. 15): the average profitability of the fuel and power branch would thus have been 36.8 per cent. The solution adopted

page 200

took account of these problems, but resulted in a large number of coal mines continuing to work at a loss.

This illumines another problem, connected with the considerable unevenness of the costs of production of the different production-units within one and the same branch of production. When this exceeds a certain level, some of the production-units are working at a loss (if the cost of production that serves as basis for the calculation of selling prices is the average cost) while others record extremely high profits. In the case of the fuel and power industry, these difficulties were partly eliminated by using different accounting prices for the different coal-mines, and by taking as basis the costs of production of the least favourably situated oil and gas wells, the rest being obliged to pay a differential rent (Sitnin, No. 57, p. 43)

Finally, it must be pointed out that the unequal intensity of investment in different kinds of production, combined with the unequal speed of rotation of these investment funds, also

presents a number of problems. Thus, in oil-extraction, the ratio of production funds to annual current production expenses is 7 to 1, whereas it is 1 to 7 in the clothing industry. This means that a profitability-rate of 15 per cent applied to these two industries produces a standard of profitability (ratio of profit to cost of production) of 100 per cent in the former and 2 per cent in the latter. With a standard so low as 2 per cent, more than half of the production units in the clothing industry would be working at a loss. The situation being similar in many light industries, it has appeared necessary in such cases to bring the standards of profitability up to 6-8 per cent, which means a considerable increase in the profitability-rates of the funds invested in these industries. It is obvious that this type of difficulty results from taking the average cost of production as basis when calculating the selling price.

To sum up, we see that the reform of wholesale prices carried out in Soviet industry is far from having resulted in simplifying the conditions for fixing prices by unifying the rules for doing this. Consequently the price-system expresses only very imperfectly the difference in social costs between different products. This may have only limited disadvantages for the economic calculations carried out at the level of the planning organs, since the latter possess other sources of information about costs. But it may have unfavourable consequences as regards the decisions that enterprises have to take on the basis of prices; and the reform of the management of enterprises is making the latter take prices as their guide when adopting a large number of decisions and in trying to increase their profits. It is important to observe that, while profitability-rates serve to determine selling prices, the receipts that result from the application of these rates are by no means all paid into the exchequer (which would follow logically from the adoption of a system of prices of production) -- on the contrary, they mostly appear in the form of profits of the enterprises. Only a relatively small proportion of these profits has to be paid

page 201

into the exchequer, in the form of a tax proportionate to the amount of the production fund. This tax should come to about 6 per cent in most industries.

The difficulties involved in the price-reform, especially in combination with the reform in the management of enterprises, are widely acknowledged by Soviet economists. They consider that the present reforms are only the starting-point of a long process of change in the system of prices, of management and of planning.

As has been mentioned earlier, besides the three basic systems of price-formation that I have just described, some other systems were also proposed. A few words must be said about some of these proposals, especially about those that aim to "base" the internal price-structure on the prices that prevail on the world market, and those that combine various features of the systems previously examined.

4 *Prices based on world prices*

The supporters of a system of internal prices "based" on world market prices seem to have been especially numerous in Hungary, doubtless because relations with the capitalist world market play an important role for this country. According to those who put forward the most systematic proposals of this kind, it is not only the prices of exports and imports that should be fixed on the basis of world market prices but also those of all other goods, since world prices represent, it is said, "the expression in money of labour that is socially necessary on the international scale" (cf. Tarnovsky, [No. 60](#)). This is a highly controversial argument at a time when world prices are increasingly influenced by international monopolies and oligopolies and by the strategy of the principal capitalist states.

S. Ganczer ([No. 24](#), p. 69), after setting forth the thesis of the supporters of a price-system based on world market prices, adds that in his view this thesis is unacceptable because it is necessary that "in every country the price-system must, in the first place, reflect the prevailing conditions of production". He correctly notes, moreover, that it is very difficult to determine what world market prices actually are.

Altogether, the proposals aimed at "basing" internal prices on those of the world market have had only a limited influence on practical policy. This influence has shown itself, however, on the one hand at the level of exchanges between the socialist countries of Europe, for whom the Council of Mutual Economic Aid (Comecon) has decided that the prices used should, in principle, be the same as those prevailing on the capitalist world market in recent years;^[18] and, on the other, within some of the member-countries of Comecon measures have been adopted which aim at taking account of world prices. Thus, in Bulgaria, it is proposed to establish a close link between the formation of internal prices and prices in foreign trade, and to establish a direct relationship between the receipts of enterprises and their "utility" from the standpoint of exports. In Hungary, the accounts maintained between industrial enterprises and foreign trade

page 202

organisations must be kept in such a way that the producing enterprises receive world market prices for their products. Somewhat similar measures are being prepared in Poland and Czechoslovakia (Tarnovsky, [No. 60](#)).

In spite of these measures, the principal prices in the European socialist countries are essentially formed on the basis of one of the three price systems described earlier, or of a combination of these.

IV Combinations of price-systems and "two-channel prices"

The reasons given in favour of these "combinations" are, in general, essentially practical ones.

Against the use of prices based principally or entirely "on value" it is argued that such prices do not make possible evaluation of the cost to society of the considerable investments that certain techniques necessitate.

In opposition, however, to the use of a "pure price of production", it is sometimes pointed out -- using certain calculations which have been made -- that if it is sought to ensure that investments and other collective expenditure are covered by means of a "net income" the amount of which would be added to the cost of production of the different products, in proportion to the funds invested in their production, then the result will be "excessive restraint" on the introduction of equipment making possible savings in living labour and, consequently, maintenance of a demand for labour-power that will exceed what is available. This argument has been developed, in particular, by Andras Brody ([No. 15](#), p. 65).

What is really concealed behind this argument is a different one, concerning the relation between the conditions for expanded reproduction of labour-power and the conditions for expanded reproduction of production funds. For those, like Brody, who make use of this argument, only the needs of financing the second kind of reproduction can justify the addition to costs of production of a profitability rate to the amount needed for this purpose. Whatever is needed for expanded reproduction of labour-power Brody considers to be a socially allocated fraction of the workers' consumption fund, and therefore he sees it as forming the equivalent of a "wage", from the standpoint of expanded reproduction.

As will be seen, these arguments aim above all at building a price-system that enables expenditure on investment and on collective consumption to be covered, while the problems presented by the measurement of the social costs of various kinds of production are treated as being of only secondary interest.

However that may be, it is on the basis of a set of practical considerations like those mentioned above that a number of more or less complex price-systems have been worked out, including the one which has been called the "two-channel price-system". What is meant by this is a system under which the price of each product is made up by adding together the following elements:

(1) The wages actually paid to the workers who make the product under consideration:

page 203

(2) A certain percentage of this amount, regarded as corresponding to the "social wage":

(3) Expenditure on the purchase of products which enter into the manufacture of the product under consideration.

(4) Depreciation of the production funds invested in the given line of production:

(5) A charge for the tying-up of the production funds, calculated by applying a profitability-rate to the value of the production funds in question:

The employment of a system like this necessitates determining:

a) The percentage of the "social wage",

b) The profitability rate to be applied to the production funds.

It is clear that, in order to maintain a certain price-level, it will be necessary, if one of these percentages is varied, to vary the other one in the opposite direction.

When it comes to deciding what rates to use, many different proposals are put forward, owing to the essentially empirical nature of such proposals. Thus, in Hungary, where this system has been studied especially thoroughly, proposals have been made:

a) To apply a charge of 10 per cent to the funds invested (which amounts to saying that, on the basis of a stable ratio between production funds and products, the national product should increase by 10 per cent per year) and to estimate the "social wage" either (as one of the proposals has it) as equivalent to 25-30 per cent of wages paid in cash (Brody, No. 15, p. 65), this equivalent being paid into the exchequer by the enterprise, in the form of a tax assessed on the wages it actually pays, or (according to another proposal), by calculating what the rate of the wages-tax should be in such a way that the product of this tax covers the difference between what is produced by the 10 per cent charge on the funds tied up and the total amount of the net product needed for financing investments and other collective expenditure (Ganczer, [No. 24](#), p. 69):

b) To evaluate the "social wage" as the equivalent of 35 per cent of wages paid in cash (still in the form of taxes paid by the enterprises to the exchequer), the balance of the net product needed for the planned growth of the economy and the financing of collective consumer expenditure being then related to the value of the funds invested, so as to show the profitability rate to be applied to the production funds invested in the various forms of production.

As will be seen, all these proposals are quite empirical. In the case of Hungary, too, they have tried, by way of a large number of calculations (the dimensions of which obviously necessitate using electronic machines, since changes in some prices indirectly affect all other prices), to determine the most "adequate" percentages, that is, those that best "correspond" to the structure of the economy, in the sense that they make possible a "reasonable" use of its production capacities, a socially acceptable and practicable level of employment, and, therefore, the pattern of development which it is desired to achieve.

page 204

Under Hungarian conditions, where the two-channel system has been adopted to some extent, they have sought a method of price-formation which includes the following features (I am referring here not to proposals but to actual decisions which, in principle, are to come into force completely in 1968): in order to work out the selling price of an industrial product, one adds to its cost of production the equivalent of 25 per cent of the wages actually paid for producing it (10 per cent representing a contribution to social security and 15 per cent a "tax" on wages payable by the enterprises) and a charge for the funds invested, equivalent to 5 per cent of their value. Apparently, this profitability rate is to be raised later on to 10 per cent.

For certain goods, which it has seemed necessary to sell at a higher price than could be obtained in this way (for example, so as to restrict demand for them) and which would therefore bring the enterprises producing them a very high income (described as a "rent"), a production tax has been introduced.

All these expenses and charges are included in the "cost" of producing the goods, so that there is no question here of a source of profits for the enterprise, unlike the reform of industrial wholesale prices in the USSR. The various taxes mentioned are to make up 50 per cent of the net income realised through the sale of industrial products. A 20 per cent addition to net income is to be provided by a turnover tax, levied at varying rates for different goods (the receipts from this tax are, of course, also destined for the exchequer), and a 30 per cent addition to net income as "profit" of industrial enterprises. The conditions under which these two fractions of the net income are determined can be varied, so that prices are thus "disengaged" from strict proportionality to "costs", all the more so because the profit margin for the enterprises is only "indicative"; actual prices can vary around this norm, so as to adapt to the conditions of the "market" (Csikos-Nagy, [No. 17](#), p. 263). This is a point to which I shall come back later.

This outline shows that, despite the efforts made to simplify the price-system, unify rules for calculation, and bring prices closer to "real social costs", they are still a long way from achieving these aims. This is so regardless of the price-system adopted, whether one based essentially on the idea of "own costs" or one using the ideas of the "price-of-production" type or the "two-channel price".

V Some questions raised by concrete price-fixing

The foregoing outline shows that *concrete price-fixing* constantly gives rise to problems which, in the light of "price-systems" built according to various "models", appear as "special problems" requiring to be dealt with by special rules or, more precisely, calling for "exceptions" to be made to the rule, or to the principal rules.

Without spending a lot of time on this question, a few words must be said about it, because it brings out some of the weaknesses in the ap-

page 205

proaches to the price problem which have been looked at, weaknesses which confirm the view that no theoretically satisfactory solutions have been found for the problems that it was hoped to solve when the discussion on prices began.

When we leave the world of price "models" to go over to the concrete fixing of prices, or to the planning of prices, a great number of questions arise to which the "models" provide no answer. Here are some of them:

(1) What is to be done if, at the price dictated by the model, the quantities of an article that can be produced do not correspond to the demand, being either too great or too small? Should the price be altered, upward or downward? Should the production-plan be changed? Should differential prices be introduced? If the trouble takes the form of a shortage, should rationing and administrative distribution be resorted to? These questions, which are all connected with the problem of the scope to be allowed to the law of value, have received every possible answer, depending on "circumstances".

(2) How is it to be ensured that enterprises buy new products which they ought to buy because it is thought that they will be of greater benefit to the national economy than those formerly used, though their cost of production is still high (either because the relevant production-technique has not yet been mastered, or because their production is, at the start, only on a small scale)? Should they be sold below the "normal price", thus "penalising" the enterprises that produce them -- the very ones that are making innovations? Or should these enterprises, while still having to sell at a loss, be subsidised? Or should the subsidy be paid to the purchasing enterprises? Or should certain enterprises be obliged to buy the new products at the high price? Here, too, all possible answers have been given and, depending on circumstances, put into practice.

(3) How should one proceed when, within one and the same branch of production, different enterprises have very different costs of production? Should the average cost in the branch be taken as "basis" for price-fixing? If so, should the enterprises which, on this basis, do not cover their costs, be subsidised? Or should they be shut down, or modernised? Or should the fixing of a uniform price not be attempted, and prices used instead which correspond to the "individual values of the goods"? If this is done, how will it be possible to compare the working of enterprises which obtain their supplies at different prices? Should differential taxes be introduced? And so on. Here, too, almost every possible solution has been proposed and applied.

(4) How should one proceed when the "same" article varies a great deal in quality? Should quality be taken into account in price-fixing? If this is done, does it not amount to violating the law of value, according to which the price of an article is to be determined by the labour-time socially necessary to produce it, and not by its use-value?^[19] And if not, how to ensure that those who buy goods of poorer quality are not "penalised", or even that they do not refuse to buy them at all? Should purchasers be

page 206

assigned a single supplier? Should subsidies be paid? Here, too, almost every imaginable solution has been proposed and put into practice.^[20]

Practice certainly has to answer these questions, and many others, as best it can. Once it has answered them, however, we find ourselves confronted with a system of actual prices that no longer has much in common with the initial "model".

This, in itself, may not seem a very serious matter. After all, it will be said, if the "model"

cannot provide an answer to concrete problems, then it is inadequate, and it matters little if actual prices have little in common with it.

Unfortunately, this is not a tenable attitude, because, ultimately, the initial preoccupations are still there, and are justified. It really is necessary that the socialist economy should have a "significant" price-system. This price-system must be sufficiently "transparent" for what *looks* advantageous, on the basis of a price-calculation, to be really so, not only for whoever makes the calculation but also for the national economy. The price-system ought not be surrendered to subjectivism: prices should express "social costs".

But how is this to be achieved? The discussion on prices has thrown little light on the subject, though this was its purpose, and negative consequences too serious to be ignored are bound to follow.

VI Some consequences of the discussion about prices

The fact that the discussion has done little to illumine the questions that were put forward when it began has had negative consequences in the field of economic practice itself, that is, in particular, at the level of day-to-day economic decisions. Indeed, if the problem of prices has come up, and has held the attention of the economists and the leaders of the socialist countries of Europe for so long, this is obviously not due to purely "theoretical" reasons, but because, as I recalled at the beginning of this article, the problem was presenting itself in an acute form.

Not only was this happening, it is still happening, and often even more acutely, because the old price-system has "aged" still further, so that the prices constituting it tend to correspond still less to present-day conditions of production.^[21] True, over the last ten years many changes have been made in prices, but it is by no means certain that the readjustments decided on since the discussion began, and the reforms undertaken, have always had a favourable effect, enabling the price-structure to give better expression to the structure of actual social costs.

As we have seen, the "general rules" which have guided the various reforms are extremely empirical and their theoretical basis is therefore not strong. This explains why the discussion on prices is still going on, and why a more thorough theoretical analysis is still being sought. It explains, too, why nearly every one of the European socialist countries has "its own formula" for building a price-system.

The divergences between the price-structure and the cost-structure have

page 207

often increased because, for a number of "practical reasons" (the chief of which I have mentioned), the "rules" adopted have not been applied uniformly. As a result, the coherence aimed at in the price-system has remained unrealised.

This state of affairs must, of course, have an unfavourable impact on the efficient working of the economic system, especially at a time when, owing to the reforms adopted in respect of the management of enterprises, the latter have been given a greater degree of autonomy and are thereby called on to take a greatly increased number of decisions, in the sphere of investment amongst others, and to do this using the price-system as their guide, since this determines the relative profitability of a particular choice, in money terms. Thus, the national economy is much more sensitive than before to the weaknesses in the price-system.

Even when, as a result of revisions, the price-systems have been "rejuvenated" and some of their incoherences eliminated, the aim originally sought is still a long way off. The discussion

aimed, indeed, at more than a mere "updating" of prices. And something more is certainly needed: the very progress of the productive forces is multiplying to an extraordinary degree the number of technical and economic choices that have to be made. Furthermore, it is increasing to an unprecedented extent the direct and indirect consequences of the possible choices. Whereas formerly the limited number of technical possibilities, and also the urgency of the problems, imposed solutions (that is, in practice they left no room for any choice), today things are very different. When setting up any large-scale project, one can now choose between a large number of possibilities, and call upon the participation of hundreds of enterprises, supplying equipment and machinery, in place of the one or two enterprises of earlier times.^[22] This is precisely why it is essential to have calculating devices that can give significant information. Without them there is no certainty of making the right choice, which means not that the projects will fail to be carried out, but that they will cost the national economy much more than if meaningful calculations had been made. The waste that can result from this state of affairs holds back the growth of the national income and slows down the rise in the standard of living.

Not only that, but imperfect prices and, in general, a false notion of "costs", can systematically foster a wastage of resources that cannot be observed while it is happening, and the consequences of which do not make themselves felt until they have assumed alarming proportions.

Thus, to some extent, the old price-systems and the conceptions underlying them tended essentially to favour savings in the living labour *directly* necessary for *each* kind of production, ^[23] while neglecting to save past labour,^[24] and failed to bring out the economic advantages resulting from rapid rotation of production funds as well as full use of them.

This bias in the preoccupations and the whole conception behind the price-system becomes a growing source of waste as the technical equipment of labour increases, that is, as the amount of fixed funds invested

page 208

per worker becomes larger. The inadequacy of the price-system has certainly contributed its share to the slowing down, over the last ten years, in the economic growth of the most industrialised of the European socialist countries^[25] (though this is not the only factor, since it is an extremely complex phenomenon, which cannot be dealt with in this article).

In any case, whatever role may have been played by other factors,^[26] there can be no doubt that the limited character of the results of the discussion on prices has had negative effects on the working of the economy, since the more complex the latter becomes the greater is its need of meaningful and exact measuring devices.

However, the relative sterility of the discussion on prices is tending also to have negative consequences on the plane of theory itself, or ideology. This point calls for detailed consideration, owing, especially, to the effect that the evolution of general theoretical conceptions can have not only on price policy but also on other aspects of the economy's working. This brings us back to the actual problematic of the discussion.

VII The Problematic of the Discussion on prices

As emphasised at the beginning of this article, one of the reasons why the discussion on prices has led only to mutually contradictory proposals and rather unsatisfactory results (which are generally admitted to be such) is that the problems to be examined were badly defined in the first place. This weakness meant that the real questions, the decisive ones, were not presented clearly.

Often, indeed, the questions raised, especially those addressed to *Capital*, were to some extent false questions to which no meaningful answers could be given. This is why, in the most recent period, when the balance-sheet of the discussion was drawn up and its relative fruitlessness was acknowledged, the temptation arose to abandon the ground on which the discussion first began and move to another, which it was hoped would prove more fertile. However, such a movement could be made in several different directions.

It could be agreed that the questions to be put to *Capital* are different from those which have been put so far, that is, that what is needed is a change in the theoretical problematic of the discussion, which implies a criticism of the previous approach. Or it could be decided that *Capital*, and Marx generally, can provide no answers to "new problems" and that a turn must therefore be made towards the innumerable technical ideologies available, considering that what is most necessary is to equip oneself with "efficient economic tools".

There are some indications that the latter line is no imaginary danger. Let us take, for example, the article by Csikos-Nagy which I have already mentioned. Here two series of symptomatic propositions are to be found:

a) After recalling how the discussion on prices began, the author writes: "Is the price debate today still characterised by the same features? No, that is far from being the case. The price system is no longer criticised

page 209

today on the grounds that prices 'arbitrarily' deviate from the value or the production price. *The criticism is aimed mainly at the rigidity of the prices, at the administrative character of the price system.* The main objection is *that we are applying an essentially 'market phenomenon' in an administrative manner.*" (Csikos-Nagy, [No. 17](#), p. 256: author's own emphasis.)

What the discussion is being blamed for here is that it tried to answer the following question: "How should we fix prices, that is, how should we plan them?" The question that it now seems more correct to ask is: "How can we stop fixing prices by administrative methods and allow the market mechanisms to have free play?"

b) At the theoretical level, the relative sterility of the discussion, and the consequent tendency to give a bigger place to the market mechanisms, direct "the attention of Marxist economists to the results achieved by their non-Marxist colleagues" (Csikos-Nagy, No. 17, p. 259), and the author adds: "Value is the crucial question of the price problem. This is the initial thesis of socialist price-theory. But must this thesis not be subjected to revision? Are the representatives of the school of marginal utility not right in rejecting the category of value, or in substituting for labour-value the concept of marginal utility? This question can and must be answered on a very practical basis. If all elements and all aspects of price phenomena can be determined with the short-term rules of the market, every reference to value is really only just a sort of ideological way of presenting the problem that can be discarded. But if practice convinces us that the essential problems of price phenomena remain unanswered in case the input principle is set aside, the starting-point of the socialist price theory can be taken for verified." (Csikos-Nagy, No. 17, p. 259.)

Csikos-Nagy himself considers that the labour theory of value provides a satisfactory "answer" and, therefore, that "nothing justifies that the socialist price theory should be reconstructed on new foundations" (Csikos-Nagy, No. 17, p. 265). This type of consideration tends, however, to remain essentially "academic" in so far as no system of concepts is produced, on the basis of the theory of value, that can be employed in working out a way to plan prices, which in turn can be integrated in the overall planning of the economy: this is so in

so far as greater "efficacy" is allowed to market prices than to planned prices, which is the position that Csikos-Nagy and some other economists of the socialist countries are moving towards.

In some of these countries the role actually accorded to market prices by economic practice is getting bigger. We have seen that this is the case in Hungary, in connexion with the current reform in the system of direction and management. In this country the enterprises are now to have the right to vary their prices fairly widely, in accordance with the level of supply and demand. This is so in Czechoslovakia, too, where decisions taken in recent years have caused the prices of many products no longer to be centrally planned (Kosta, [No. 27](#), p. 146).

In the Soviet Union the question has not been settled in this way.

page 210

The discussion goes on, and points of view favourable to the setting up of market prices are advocated alongside others that take the opposite line. During 1966 a small number of Soviet economists took up a firm position in favour of competition and market prices, declaring that prices fixed on a central basis are detrimental to the good working of the economy. This position was defended, for example, by Lisichkin, in *Novyi Mir*, and, especially, by B. Rakitsky ([No. 56](#)). It was opposed by a number of other writers, such as Kronrod ([No. 36](#)) and A. Bachurin, Vice-President of Gosplan ([No. 8](#)).

The fact that the validity of the labour theory of value should have been raised in the way it has been in the passage quoted above from Csikos-Nagy, where he asks whether the socialist theory of prices ought not perhaps to be reconstructed on new foundations, using the conceptions of marginal utility, shows just how inadequate the initial problematic was, and to what extent this is still true of the present problematic also.

The question whether a scientific theory is valid cannot, of course, be settled by direct reference to the problems and difficulties of day-to-day practice, not even the practice of planning organs. The criteria for the validity of a scientific theory are necessarily those of theoretical practice, and cannot be those of technical practice. It is no more possible to judge *directly* the scientific validity of the labour theory of value through some difficulty encountered in economic *technique* than it is possible to judge, for example, the validity of some theory about the elementary structure of matter through the difficulties experienced in using it *technically*, or to judge the validity of geometrical theorems by taking measurements of real objects.

Transition from the level of scientific theory to that of *technical* practice demands differential production, on the basis of theoretical concepts, of the *technical* concepts required by real practice. What is spoken of colloquially as the "testing" of a scientific theory, meaning the *technical realisation* of its theoretical concepts, and thus their use in practice, presupposes that these theoretical concepts have been "realised", both in *concepts* corresponding to the peculiarities of the real setting and in *technical* concepts which make it possible to lay down operative procedures (measurement, calculation, etc.) and determine the limits of their validity.

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This does not mean that without this twofold "realisation", achieved in detail, theoretical concepts are of no use, if not in providing a foundation, in the strict sense, for effective economic practice, then at least in giving it orientation. Effective economic practice can indeed be worked out by bringing together shrewd empirical work and general theoretical concepts which serve as "guides" for the direction it should take. Practice like this, though, however effective it may be at certain times, is unaware of the reasons for its success, and therefore of

the limits (in space and time) of its effectiveness, so that, once these unknown limits are crossed, it experiences inevitable setbacks. In any case, such practice can neither confirm nor disprove the theoretical conceptions behind it.

page 211

Thus, only an adequate differentiated working of the theoretical concepts into empirical concepts and technical concepts can ensure the *unity* of theory and practice. This unity requires, first and foremost, full development of the content of the scientific concepts on the theoretical plane. The discussion on prices has not contributed to such a development in the field of price theory, and this is why it has proved relatively sterile. Hence, also, something which is at least equally serious, the doubt thrown upon the scientific validity of some fundamental theoretical concepts of Marxism, and the tendency to present in a non-dialectical way the problem of the possible relations between Marxist and non-Marxist theories about prices.

As regards these non-Marxist theories, the problem is not, as was suggested in some of the proposals put forward during the price discussion, one of accepting them or rejecting them *en bloc*, or of borrowing some of their conclusions. The problem is one of critically analysing these theories, in the scientific sense, that is, revealing what the presumptions behind them are, the implicit structures to which the concepts they use actually belong, and, on this basis, appreciating the significance of their various conclusions.

In this way the apologetical nature of these theories can be revealed, that is, their lack of scientific basis in so far as they claim to explain the working of the capitalist mode of production, while at the same time recognising the appositeness of some particular approach which they may make. It is precisely this local and limited appositeness that conceals the non-scientific character of the ideological system to which the particular approach belongs.

At the level of analysis of the part played by prices in the day-to-day working of the economy, of the influence of a certain price-system when used as a means of economic calculation, it is scientifically justified to examine to what extent and within what limits the non-Marxist theories have arrived, on some point or other, at certain conclusions which, reinterpreted by Marxism, can be helpful, at the technical level, in formulating a price policy. A considerable field lies open there for critical analysis, but this field can be made fertile only if it be worked upon with the aid of a solidly grounded theoretical problematic. It is Marxism that provides this theoretical problematic -- always provided that we do not seek in *Capital* a source of directly usable "recipes", but take it as a structure of scientific concepts on the basis of which we can work out the technical concepts needed for economic practice and, in particular, for the economic practice of the social formations in transition between capitalism and socialism.

The preliminary condition for any scientific interpretation, or any useful employment, of a proposition put forward by a non-Marxist theory is that the ideological and apologetical basis of the theory be clearly revealed, together with the *limits* within which the proposition is valid, limits which will be determined by the conceptual field within which it is formulated. One cannot but be struck by the tendency of some Marxists to accept

page 212

certain propositions from non-Marxist theory without observing these preliminaries.[28]

In this way the fact that the system of concepts on which these propositions are based is not a scientific system is lost sight of. This system is made up of a group of hypotheses which place at the centre of economic analysis the consumer who is a prey to "needs" which are independent

of all production-relations. "Maximising" the satisfaction of these "needs" is regarded as the criterion of "economic rationality". A system of concepts like this cannot explain the way any mode of production works, but this does not prevent some of the propositions it puts forward from possessing a certain validity on the practical level. The limits of this validity are, however, extremely narrow, as has been shown during the last ten years even by economists whose ideological positions have nothing in common with Marxism, like T. C. Koopmans ([No. 32](#)), William J. Baumol ([No. 10](#)), G. C. Archibald ([No. 3](#)), E. J. Mishan ([No. 49](#)) and many others.

[29]

If some have tried to find in *Capital* "rules" or "formulae" for fixing prices, "rules" that can be compared to others borrowed from some system of economic thought, this is because they have been tempted to see *Capital* as a "theory of prices" on the same plane as non-Marxist conceptions, and capable of being "judged" merely from the standpoint of day-to-day economic practice. When this view is taken, sight is lost of the fact that the price-theory of *Capital* is inseparably bound up with the total structure of Marxist thought -- that Marxism, as a philosophy, is a theory of the relation between theoretical practice and other levels of practice; that, as a science of history, it is a theory of modes of production, their structures, the laws of their formation, development and dissolution, and, among other things, a theory of social classes and class struggles. It is within this theoretical structure that the Marxist theory of value and prices has its place and significance, not amid the theoretical vacuum of pragmatism.

This, too, is why it is impossible to put the question of the validity of the Marxist theory of value and prices by standing on the level of narrowly conceived "economic practice". The question asked in this way is not pertinent. At this level, indeed, which is not that of science, that is, of proof and explanation, it is easy to show the "equivalence" between the "practical" conclusions that can be drawn from a certain pragmatic or empirical interpretation of the Marxist theory of prices and the conclusions that can be drawn from a number of other theories that are sufficiently coherent.

Andras Brody, for example, analysing the conditions of simple reproduction, has shown that it is possible to draw from Leontief's table of matrix relations the conclusion that prices "based on labour-value" form an adequate tool of economic calculation, because they ensure the perpetuation of the system under the best technical conditions (Brody, [No. 15](#), pp. 58-60). But he also shows that in a matrix structure like this it is

page 213

possible to construct a price-system by treating any commodity whatsoever as the "source of value". This system will have the same "practical properties" as one based on labour-value, because the resulting price vector will always be the same, up to a multiplicative factor (so that the structure of prices will be the same).

Brody then analyses in the same way the conditions for expanded reproduction, and shows that the "price of production" plays here the same role as value. He shows, too, that, in order to calculate these prices of production, one can base oneself on "expenditure of labour" or on any other material expenditure, and always arrive at the same price-structure (Brody, [No. 15](#), p. 63). Similarly, when revealing the formal conditions for the formation of a rate of profit, he shows that the rate of profit that corresponds to Marx's definition is equivalent to the equilibrium rate of growth in Von Neumann's sense (Brody, [No. 15](#), p. 64). From this he concludes that, at the level of *practical consequences*, the equations can be interpreted with equal validity in terms of labour-value, in marginalist terms or in terms of programming theory.

The radical differences separating Marx's theoretical conceptions from "price theories" do not show themselves at the level of "practical calculation" of prices, that is, at the level of the

use of some "formula" or other, but at that of *explanation*, that is, at the level of science:

(1) First, what Marx's analysis *explains* are the very reasons for the *existence* of the value form, and so of prices, that is, the reasons why, in certain social formations, products are simply products, whereas in others they become *commodities*, endowed with that supra-sensible quality, their price. Marx explains this by the existence of *particular relations* among the producers and between them and their products. It is these relations that show through the value form and endow labour with the "social quality" of being a "producer of value", which it ceases to be when the same production-relations are not present, because prices themselves then disappear. It is in this quite precise sense that labour *involved in a certain structure of social relations* is the source of value.

(2) Next, Marx's analysis is the only one that provides an *explanation* of the historical, economic and social movement as a whole, which determines the appearance of the "transformed forms" of value and the connexion between the price-structure and the production-relations. It does this on the basis of an analysis of the specific character of the commodity called labour-power; this is one of the poles of the basic class-relations of capitalist society, which explains why changes in its price, or in the length of the working day, are the subject of intense social struggles, the outcome of which determines changes in the price-system and a particular form of progress of the productive forces.

(3) Finally, Marx's analysis in its fully developed form explains how prices are formed under the capitalist mode of production and constitutes the necessary starting-point for building a theory of prices under conditions of transition between capitalism and socialism.^[30]

page 214

Thus, Marxism provides both a theory of value and prices and a coherent theory of social formations, of their specific natures and the laws by which they function and change. Any non-Marxist "price-theory", however, provides at best only one of the possible *descriptions* of the momentary inter-relations between prices, given certain "hypotheses". As for the "explanations" that non-Marxist theories are said to provide, they relate not to real social relations but to psychological categories ("man at the mercy of his needs"), or else technical ones, which dangle in an ideological void, that is, which cannot be fitted into any analysis of the actual movement of history. Indeed, these theories help rather to hide the nature of the movement of history -- when they do not simply deny that there is any movement at all, by referring to a "general economy" existing outside of history, outside of time.

Let us now, however, leave this problem, and consider the inadequacies in the problematic which have helped to prevent the discussion on prices from producing useful results and which have given rise to the formulations we have just been studying.

VIII The theory of value and the planning of prices

Though the weaknesses in the problematic of the discussion present several aspects which affect each other, it seems correct to say that the most important of these aspects is the generally *empirical* nature of the problematic adopted. Nobody has sought in *Capital* the starting point for an explanation and a theory (which is still not fully constructed), but instead they have looked for practical answers to practical questions. In this way, they have usually taken the fundamental concepts of *Capital* not as theoretical concepts which refer to theoretical matters but as empirical concepts referring to empirically measurable matters. Consequently, nobody has tried, on the basis of *Capital*, that is, above all, on the basis of its method and its theoretical concepts, to work out the scientific concepts needed in order fully to conceive and to master the problems of the transition from capitalism to socialism.

1 *Value and socially necessary labour-time*

Those who have tried to find directly in *Capital* "rules" and "procedures" for price-fixing in transitional economies have therefore been putting questions to Marx's work to which it could not give a direct answer, the subject-matter of that book being quite different.

Since one of their aims was to construct a price-system that would make it possible to carry out calculations whereby the social cost of production could be minimised, they first put the following question: *how can one measure this social cost?* In most cases, they thought they found in *Capital* the following answer: *by calculating the "value" of production.*

This led to their second question: *how are we to carry out this calculation?* And here, again, they thought they found the following answer in

page 215

Capital ; *by counting the number of hours actually expended on producing the various goods.*

After that, as we know, they thought they could multiply this number of hours by the wages actually paid, plus a certain "net income" calculated in some more or less complex way -- the method chosen itself being "justified" by some interpretation of Marx's analyses of the working of capitalist economy.

In any case, it seemed to those who read *Capital* in this way important above all to find the axes around which prices oscillate, that is, the *regulating magnitudes* of the reproduction process under capitalism (value, price of production or other magnitudes of the same kind). These *axes* were seen as indicating the price-level representing social costs, whereas other price levels were seen as expressing accidental deviations or faulty adjustments, all of them being "distortions" which the socialist economy would have to and would be able to eliminate, its prices being planned and not abandoned to the fluctuations of the market.

The inadequacy of this problematic, and its empirical nature, are clearly revealed when we examine what sort of fundamental concepts are actually worked out in *Capital*, with special reference to the concepts we have just been discussing.

Let us take, first, the concept of "socially necessary labour-time". Whereas the empiricist problematic that seeks in *Capital* *direct answers* to questions of economic technique assumes identity between socially necessary labour-time and empirically recorded labour-time, a reading of the book that avoids the empiricist illusion enables one to see that, on the contrary, these two ideas refer to *radically different matters.*

The concept of socially necessary labour-time is infinitely more complex than that of empirically recorded labour-time, because it refers to quantities produced in comparison with social needs. The latter expression, in turn, indicates not an empirical or ideological concept, like that of "human needs", but a theoretical concept that has a precise meaning in the structure of *Capital*, and the equivalent of which needs to be worked out for the theory of transition from capitalism to socialism.

It is obvious that one cannot indulge in the illusion of "freeing", the concept of socially necessary labour-time from its theoretical status except by refusing to "concern oneself" with the aggregate quantities that could be produced, so as not to "concern oneself" with anything but the average cost of a product in terms of labour.

This approach does not take us far, either theoretically or practically. In particular, if the

problem which it is sought to deal with is that of prices that represent *social cost*, it is quite impossible to think this problem out by taking each cost *separately*. The problem cannot be studied except in terms of the connexion between the different branches of production, and, therefore, without taking into account the quantities produced or to be produced, and the totality of social needs.

Moreover, when what is wanted is to carry out calculations regarding the

page 216

future, reference to *present average cost* in labour is quite meaningless, since the *future* cost of every product will depend on the means of production that will be used *in the years to come*. These means cannot be chosen within the framework of a plan unless one can determine in some other way what ought to be the labour-time socially necessary for each type of product, so as to endeavour to devote to its production precisely this amount, no more and no less. Here we leave the field within which calculation in prices can still have some significance, to enter one where estimates of labour-time on the scale of society are needed, together with application of the principle of economy in labour.

Attempts to "reduce", through tricks of calculation (that is, without first working out adequate theoretical concepts), the labour-time empirically expended on different kinds of production to the "socially necessary labour-time" are completely useless. This is even truer of attempts in which labour-time actually expended is calculated as though it were identical with socially necessary labour-time. Such calculations can never tell what it is desired they should tell, namely, e.g., how to use the investment funds available, in which branches to invest them, or whether it is socially preferable to effect a saving of labour in one branch of production rather than another.

All these questions can only be answered by using a concept of "socially necessary labour-time" treated in a suitable manner (that is, with a content *specific to the social formation in question*) and by working out, on this basis, the necessary empirical concepts which, themselves, have to be employed in a concrete way.

Given the misunderstandings that an empiricist reading of *Capital* has brought into the discussion on prices, precisely in connexion with the basic concepts of socially necessary labour-time and value, it will be useful to go back over certain theoretical positions which are often met with in the discussion on prices in the economies in transition between capitalism and socialism.

We know that, following a well-established empiricist interpretation of the problem, analyses are currently being expounded according to which it is the labour-time *actually* expended to produce a product that determines the "magnitude of the value" of the latter in a "mechanical sense", that is, in much the same sense as the amount of water in a container can be worked out by multiplying the time during which a tap has been left running to fill the container by the number of litres poured out per minute.

Interpretations of this kind conceal, of course, what they really are, the contradictions to which they lead, by means of considerations regarding the variation in "individual productivity" between the workers participating in production, or considerations regarding the "quality" of the different kinds of labour. So long, however, as only such considerations as these are taken into account, that is, so long as only the *technical* features of labour are considered, it is impossible to escape from a mechanistic

interpretation of how value is determined by labour-time; in other words, to see the radical difference between Marx, on the one hand, and Smith and Ricardo, on the other. Those who take this approach see in Marx just a scholar who merely "perfected" the theory of value and prices (especially by his analyses of wages as the value of labour-power and his theory of price of production) and not a scholar who put the theory of value on *a quite different foundation* from his alleged "predecessors".

In other words, this interpretation (which underlies the "measurement of value" by labour-time empirically recorded or actually expended, and the price-systems which are *directly connected* with this measurement) ignores one of Marx's essential contributions to economic science, namely, that the apparent "property" that labour possesses to create "value" is not a "natural" property but a social one. This means, among other things:

a) That it is always necessary to distinguish between labour's productive character in the technical sense and in the *economic* sense.

In the first sense, what is meant is the character of *concrete* labour which produces use-values. This productivity is measured in technical terms, that is, in the form of a ratio between a quantity of hours of labour actually expended and the physical quantity of products obtained thereby. In the economic sense, however, what is meant is the character of labour as *abstract* producer of exchange-value. In this sense, the productive or non-productive character of labour is determined by the nature of the *social relations*. Thus, under the capitalist mode of production, only labour that participates in the production of surplus-value is "productive" labour.

b) That it is the *structure of a labour-process* which itself forms part of a certain social structure that determines whether or not the labour involved in it is productive. Thus, from the moment when, in large-scale capitalist industry, a "collective labourer" confronts the means of production, it is not the nature of the task performed by each member of this "collective labourer" that determines whether his labour is productive or non-productive, but the productive character of the "collective labourer".^[31] This is another aspect of the determination of the productive or non-productive character of labour by the *structure* to which the labour belongs.

c) That what produces "value" is not "labour in general" and that, consequently, this "production" is not the result of a "transitive causality" but of a "structural causality".

d) That the magnitude of the value "produced" by an hour of labour is itself determined by the *totality of the social relations* (and not merely by the production-relations): this is, indeed, what is meant by the term "social needs".

e) That, finally, the "reduction" of the labour-time actually expended to the *socially necessary labour-time* has to be mediated through *the whole of the social structure and an its authorities*, something that is obviously true, whatever the social structure, even if it does not give rise to commodity production.

This is why it is necessary to be always on guard against a certain anthro-

pological line of talk which hails "human labour, creator of value and sole producer of wealth".^[32] This is a way of speaking which, when not naively empiricist, usually represents an attempt

to hide the fact (and here I shall borrow the actual language of anthropology) that labour which produces value is always "alienated" labour, subordinated to its own products and, eventually, exploited, for commodity production is always pregnant with capitalist production-relations. Far from symbolising man's mastery of his own products, "labour as producer of value" symbolises the subjection of man to his own products. A social formation's advance towards socialism gradually puts an end to this subjection and thus ensures that labour ceases to be value-producing labour -- something that requires a high level of socialisation of production and a thoroughgoing transformation of production-relations.

The relative sterility of the discussion on prices, value, the social cost of production, and so on, shows some of the negative consequences that can result from an empiricist reading of *Capital* and from the anthropological language that reinforces it.

2 Price and value

The same empiricist problematic leads to regarding as *empirically ascertainable* magnitudes not only socially necessary labour-time but also value, price of production, average rate of profit, etc., and so to attempts at *directly "measuring"* these magnitudes, in order to use the results in "constructing" price-systems. All of which cannot, of course, lead anyone anywhere.

[33]

It is only logical that giving empirical status to theoretical concepts has prevented full advantage from being got from what Marx says in *Capital* about the category of price, although what he has to say on this subject is decisive in relation to the questions at issue in the discussion on prices.

If too little attention has been given to some of the analyses that Marx devotes to empirical categories like prices, this is due to the very nature of the initial approach: if socially necessary labour-time and value are regarded as "empirical matters" that are "masked" by prices (or hidden in them), then it is these matters that are regarded as exclusively important; prices are then relegated to the status of "appearances", that is, "inessentials", for when concepts are taken for reality it is hard to grasp that what is called "appearance" is reality (*Wirklichkeit*) itself.

Now, Marx's approach is not one of seeking and "discovering", "behind prices", an ultimate "reality" which is more "fundamental" and alone "decisive". It is quite different: he did not "discover" but worked out theoretical concepts, or, more precisely, the theoretical structure thanks to which the existence of prices and their magnitude are explained. These concepts: abstract labour, socially necessary labour-time, value, etc., thus form a theoretical structure the various terms of which condition one another. It is therefore impossible to isolate any of these elements empirically. The fundamental concepts, such as those of socially necessary labour

page 219

time, value, price of production, etc., are the nodal points of this structure. What they describe are both production-relations and "regulating magnitudes", the sizes of which, not directly measurable, are determined by the totality of social relations.

The status of these "regulating magnitudes" in price theory is similar to that of "centres of gravity" in the physics of solids. A centre of gravity does not exist as an empirically ascertainable "reality". It is a *geometric* position determined by a structure and manifesting itself only by its effects. This does not mean that we have to know all its effects concretely in order to determine where the centre of gravity is. On the contrary, as we have known since Archimedes, it is enough to know the structure to be able to determine its centre of gravity and how the latter operates.

So far as our problem is concerned, since we lack concrete prices already formed spontaneously (the relation of which to the regulating magnitudes could be sought, provided we constructed the concept of the latter), it is quite useless to try and measure empirically the equivalent of the socially necessary labour, value, prices of production, and so on, by proceeding directly to measure physical magnitudes.

What is needed, before anything else is attempted, in the social formations which are in transition between capitalism and socialism, is, when no spontaneously formed price-system exists, to work out theoretical concepts that enable one to think out how to regulate expanded reproduction and the transformation of social relations, together with the laws making it possible to secure the utmost saving of social labour. These theoretical concepts and knowledge of these laws will enable us to build a price-system corresponding to the requirements of the development of this social formation and to the political aims being pursued (in so far as a price-system like this can exist at all).

If this path is not taken, the risk arises, sooner or later, of being tempted to declare for the "re-establishment of market prices",^[34] that is, of the objective structure thanks to which it is no longer either necessary or possible to subordinate the development of the social formation to definite political purposes, since this development is ensured spontaneously by the very structure that makes possible the "re-establishment of market prices".

However, re-establishment of market prices is logically only the first step towards introducing "regulating magnitudes" which operate spontaneously. In fact, these prices will not produce the effects expected unless there are real markets available, not merely for consumer goods but also for means of production, production funds and labour-power. Hence the successive stages passed through by the Yugoslav "experiment", the very logic of which has led to the re-establishment of all these markets, and so of the production-relations which their existence presupposes.^[35] The irony of history has brought it about that these production-relations are now obstructing the development of the productive forces to an increasing extent, so that the undertaking is not even getting the results that some

page 220

people thought it would. Its ultimate end can only be a combination of monopolistic structures with state capitalism.^[36]

To avoid becoming drawn into an adventure of this sort, the only path forward is that of working out, *for the transitional economies*, the equivalent of the concepts by which Marx described the "regulating magnitudes" of capitalism and revealed their connexions and functioning. What is needed is to work out concepts that, in the structure of these modes of production or social formations, will occupy *the same place* as the corresponding concepts in *Capital*. Some of them may even bear the same name, in so far as they can be differentially worked out on the basis of the concepts given in *Capital*. This obviously cannot happen with *all* the concepts in *Capital*, since some of them refer to production-relations which are specific to the capitalist mode of production and the real relations they describe therefore no longer exist under the new mode of production. In the latter they are replaced by others which, while fulfilling similar functions, do this in a radically new way.

This is, finally, the theoretical task which an empiricist problematic prevents us from seeing, though the need for it is shown by *Capital* itself, as soon as one stops looking in that book for what is not and cannot be there, and instead looks for what should be and is there; not, however, in the empirical form of objects merely needing to be discovered, but in that of concepts, which are theoretical means of production that have to be set to work.

Though the theoretical matrix of the concepts needed for cognition of the laws of the transitional economies is to be found in *Capital*, this does not mean that it is easy to work out these concepts. The task is a huge one, since what is involved is working out the theory of a new mode of production. Nevertheless, as soon as one starts reading *Capital* in a theoretical and not an empiricist way it becomes clear that the road ahead lies open.

This is particularly true because of what Marx tells us about prices. Thus, so early as Chapter 3 of Book I, he writes:

"The price-form, however, is not only compatible with the possibility of a quantitative incongruity between magnitude of value and price, i.e., between the former and its expression in money, but it may also conceal a qualitative inconsistency, so much so that, although money is nothing but the value-form of commodities, price ceases altogether to express value. . . . Hence an object may have a price without having value. The price in that case is imaginary, like certain quantities in mathematics. On the other hand, the imaginary price-form may sometimes conceal either a direct or an indirect real value-relation; for instance, the price of uncultivated land, which is without value, because no human labour has been incorporated in it." (Marx, No. 45, p. 112; Eng. version from *Capital*, I, p. 75.)

Here we find (as also, of course, in many other passages in *Capital*),^[37] essential pointers for working out, on the basis of the theory of value, a

page 221

price theory which, given differential handling, is applicable to all the various modes of production in which commodity production goes on. To expand this point would be to take us too far from our subject. It is worth stressing, however, that the propositions I have quoted reveal the need, if the working of any commodity mode of production is to be understood, to grasp not only the specific general laws that determine the *average magnitude* of prices, that is, the "magnitudes which are regulative" in the last instance (value, price of production and other transformed forms of value), but also the specific laws that determine the correspondence or non-correspondence between prices and these regulating magnitudes.

When we want to understand the fundamental tendencies of a commodity mode of production, knowing the laws that determine the *divergences* between price and magnitude of value, or any other regulating magnitude, and the laws that determine how "imaginary prices" are formed, is doubtless not so essential as knowing the laws that determine the average magnitude of prices. This is why Marx did not specially expand the remarks he formulated on various occasions regarding the laws that govern the divergences between price and value, or the forming of "imaginary prices". Thus, to an insufficiently attentive reader of *Capital*, price-fluctuations appear to be merely effects of the fluctuations of "supply" and "demand". Moreover, the day-to-day movement of prices is of only secondary interest for understanding the general laws of development of a social formation.

The order of importance of these problems changes when the task before us is both to understand how formations in transition between capitalism and socialism actually function, and to *concretely work out a price-policy*. It now becomes absolutely essential to know all the laws that govern the structure of prices and determine the objective properties of this structure. It is now of the highest importance to grasp the *limits* within which prices may *vary* without ceasing to fulfil their function, and also the *effects of these variations* on production-relations and the development of the productive forces.

In other words, while knowledge of the laws determining the average prices of the various

commodities is sufficient for analysing the overall movement of a mode of production, this knowledge becomes inadequate when the task is to work out a concrete price-policy, that is, to fix prices in accordance both with a structure and a conjuncture (which is *not* any longer that of the "market", but is whatever corresponds to the social and political priorities of each period), so as to plan them.

In these circumstances the fact that it is not enough to know the laws that determine average prices makes itself felt in a number of ways. Thus, if a price policy is worked out on the basis of a knowledge of these laws alone, the concrete decisions taken, in so far as they are going to be effective, often appear to contradict these laws. The concrete prices then almost all seem to be "exceptions" to the laws. The latter then cease to look like what they are, but seem mere "rules" (since laws do not allow of excep-

page 222

tions, whereas rules call for them, in so far as the exceptions "prove" the rules).

One of the weaknesses of the discussion on prices is, as we have seen, that it has been above all concerned with the "regulating magnitudes" which determine prices on the average, that is, in the last instance, and has treated as "secondary" the laws governing the *divergences* between prices and regulating magnitudes. Once again, then, when a price-policy has to be worked out, that is, when concrete prices have to be planned, it is essential to know the laws that determine these divergences, their possible limits, and the objective properties of price structures which are marked by particular divergences between prices and regulating magnitudes.

What are needed at each moment for the planning and management of the economy are not "average" prices but concrete ones, whether real or "imaginary", and which, if they are real prices, must diverge under objectively determined conditions from certain regulating magnitudes. If the laws governing these divergences and their effects^[38] have not been grasped, one is easily induced to fix only "average" prices and leave the market to "fix" the divergences from the average.

We thus see that the problem of planned variations of prices, and of the value-limits of these variations, now becomes an essential one. The concrete questions that arise usually concern the *limits* to variations. The problems that have to be solved at the level of planning and management usually arise in a form that calls for invocation of the limits in relation to which a particular kind of production, or a particular technique, begins or ceases to be worth while. Here we have to do with extremal problems or, more precisely, of interconnected extrema, which can therefore not be solved by means of mere average magnitudes. In particular, when the management of an economy is subordinated not to the law of profit but to the principle of saving labour, what have to be determined are the conditions under which calculations in price terms can make it possible to ensure the maximum saving of social labour in attaining targets which have been decided on for political and social reasons.

From all these points of view the pointers given in the passage from Marx quoted above are very important. Without going deeply into this matter, it is enough to mention that the proposition about "the imaginary price-form" which "may sometimes conceal" relations which are "real" though "indirect" contains in germ what price-theory needs in order to solve the problem of prices for means of production which are available in adequate quantity, and that of the prices for machines which have been used and are no longer being manufactured.

More generally, what we have here in germ is what has been partly rediscovered, following a different route, by the mathematical economists who have shown the need to include in prices what they call "costs of reverse linkage" (Novozhilov, [No. 54](#)), that is, the losses that the

economy suffers from the use of a product in a particular activity, when this use alters the conditions in which other branches or activities function, for

page 223

example, by increasing their costs of production. This is a point to which I shall have to come back in my conclusion.

This shows how necessary it is to take account of all Marx's propositions regarding prices, throughout *Capital*. Yet these propositions have often been regarded as being of secondary importance as compared with the analyses devoted to value and prices of production.

If attention is paid in this way, giving these propositions all the theoretical importance due to them, we see that everything vanishes which, because *Capital* has been read in an empiricist spirit, has led, in the discussion on prices, to the construction of "rules" that consist almost entirely of exceptions. This is so because, if we proceed in this way, we shall read *Capital* more carefully, and stop mixing up concepts with empirical matters, and as a result of this reading we shall obtain concepts that will enable us to work out the law of these alleged "irregularities", which are thus seen to be irregularities no longer, but the effect of the law itself.

IX The specificity of the price problem in the economy of transition

It is, of course, one thing to possess the concepts needed to construct a price theory in social formations in transition between capitalism and socialism, and quite another actually to construct this theory, without ever losing sight of the fact that the price-structure is dictated by *all the authorities of the social formation*.

Now, the action of all the authorities of the social formation upon prices involves consequences that go very much deeper in economies in transition between capitalism and socialism than in the capitalist mode of production, especially in the competitive stage of the latter. At this stage, indeed, the capitalist mode of production is marked by a dual form of conformity between the real-appropriation relations and the formal appropriation relations: there is both conformity between the process of extraction of surplus-value and the process of appropriation of surplus-value, and conformity between ownership of the means of production and direction of the labour-process. This dual correspondence entails, as we know, relative autonomy of the economic instance,^[39] and this implies that the other instances of the social formation act only indirectly and in a hidden way upon the economic one. Under these conditions, prices themselves seem to be entirely determined by conditions peculiar to the economic instance.

This can no longer happen in social formations in transition between capitalism and socialism: first, because, as social formations in transition, they are marked by specific forms of non-correspondence between the different social relations, including, of course, at the level of the production-structures,^[40] which implies that the development of these social formations towards socialism necessitates domination of the economic instance by the political one; secondly, because socialism itself has to subject the productive forces to domination by the associated producers, which rules out spontaneity in the working of the economic level.

page 224

As regards, more particularly, the forms of non-correspondence which are specific to present-day economies of transition, a decisive role is played by non-correspondence between

the social character of ownership and the mode of real appropriation which is not yet directly and wholly social. This contradiction, or this non-correspondence, shows itself through the existence of distinct economic subjects that *possess* means of production of which the State is the *owner*. This possession is based on the capacity the economic subjects have to operate efficiently the means of production under their control. In the industrial sector these economic subjects are usually state enterprises.

At the theoretical level, this objective situation in which *ownership* and *possession* are separate cannot be thought out in all its consequences without two related groups of concepts: on the one hand, concepts which account for the role played by state ownership as an element in the production relations, and so for the planned character of the transitional economies, and thereby also for the already highly socialised character of their productive forces; and, on the other, concepts which account for the still "commodity" character of these economies, including concepts relating to the value form and its transformed versions, especially prices. These concepts, however, must be specific ones, that is, they must apply to the social formation of the transitional economy and therefore must *differ* from those which apply to the capitalist economy.

Here, too, we see that the concepts accounting for the commodity character of the transitional economy cannot be found "ready-made" in *Capital*. They have to be worked out differentially on the basis of that book. This is possible because *Capital* contains the theoretical matrix of these concepts.

The kind of differentiation that thus has to be carried out is determined by the already planned character of the economy. Therefore the content of this differentiation has to be found, in part, by analysing the categories of economic planning and economic calculation on the social scale. This requires that these categories be reduced to an adequate conceptual content. In doing this the necessary instruments will at the same time be obtained for transforming the actual practices with which these categories are connected.

Finally, the type of complexity which is specific to social formations in transition between capitalism and socialism requires that two sets of concepts be worked out: one which corresponds to the already highly socialised character of the economy, due to the change in production relations, and another which corresponds to the still commodity character of this same economy, due to the not yet fully social character of the productive forces.

The first set of concepts operates in the field of planning. It relates together not exchange-values and abstract labour, but use-values: its fundamental category is that of *concrete labour*.

The concepts that make up this set correspond to the categories of plan-

page 225

ning. Once fully developed, they should make it possible to think out the conditions for *non-monetary* economic calculation, a "*direct*" kind of economic accounting which does not employ a price-system and which enables the labour-time socially necessary for different kinds of production to be determined directly.^[41]

In so far as the field of this calculation is a highly complex social field, it is a radically new one. Relating together concrete forms of labour and use-values, it directly concerns what Marx called "real wealth", that which for capitalism is secondary.^[42]

The second set of concepts corresponds to the still commodity character of the transitional economy. This set of concepts should make it possible to build a price-system by means of

which complementary economic calculations can be undertaken (indirect calculations, in money terms, and subordinate in significance, corresponding to the day-to-day management of the economy).

It is this second set of concepts that, operating in the field constituted by a price-system, is bound up with the categories of value and abstract labour. This is where the discussion on prices has, or ought to have, its centre.

The working-out of these two sets of concepts is made necessary by the specific type of non-correspondence between some of the social relations in social formations which are in transition between capitalism and socialism. It is not complete until the way the two sets of concepts are linked together has also been specified, and thus their unity established. Given this condition, it becomes fully possible to think out the way the transitional economy works, and so to dominate it.

The unity and duality of the conceptual system needed in order to dominate in thought, and later in reality, the social formations in transition between capitalism and socialism thus results from the particular form of non-correspondence between property-relations and relations of real appropriation, because it is this non-correspondence that is the source of the particular complexity of these social formations in transition.

Thus, a specific form of duality of production-relations is behind the duality of the types of economic calculation (direct economic calculation, in use-values and concrete labour-time, and indirect economic calculation, in money, prices and abstract labour).

The problem of prices and of their role in the planned economies of today cannot usefully be dealt with unless account is taken of this duality, since the latter is the expression of non-correspondence existing at the level of the production-structures.

What makes it indispensable to work out theoretical concepts that will enable us to explain and dominate the operation of the transitional economies is that, without them, there is constant danger of being drawn into grave practical errors, both in respect of the planning of production (which is then often guided by prices that have no economic meaning)^[43] and in respect of price-policy and (what can be even more serious) the place to

page 226

be given to calculation in price terms and to the action of the latter in the planning and management of the economy with the aim of building socialism.

Mistakes made in these last-mentioned fields, if combined with the effect of other social and political factors, may in fact lead to the withering away of the planned economy and the resurgence of an entirely commodity economy.

If there is such a danger, this is precisely because the social formations now in transition between capitalism and socialism are not yet fully constituted socialist economies but only transitional ones. It is because, being transitional economies, they still have a real mode of appropriation which is not completely social, that the value form exists and is actually a way in which "commodity relations manifest themselves". These relations are always likely to develop and escape from social control, if the contradiction between the mode of ownership and the mode of appropriation is not correctly dealt with.

Certain earlier formulations^[44] which saw in calculation in prices and the value form not the expression of real production-relations but only a convenient method of calculation have

contributed to underestimation of the risk of a resurgence of increasingly autonomous commodity relations, even in dealings between state enterprises.

It is especially worthy of emphasis that, in a situation of non-correspondence between the two fundamental relations in the economic field, "the connexion between the two relations no longer takes the form of reciprocal limitation, but becomes *the transformation of one of them by the other's effects* " (Balibar, [No. 9](#), p. 318).

The transformation of one relation by the effects of the other may, indeed, mean either that the productive forces are gradually raised to the level of the production-relations, or that the opposite process takes place, namely, that the production-relations adapt themselves to the level of development of the productive forces. The first of these solutions is obviously the only one that corresponds to the needs of building socialism but it cannot take place without systematic intervention from levels other than the economic, namely, the political and ideological levels.

Quite concretely, intervention from the political level demands real economic planning and not mere "guidance" of the economy. Restricting oneself to the latter would mean ensuring the gradual predominance of commodity categories, that is, of the production-relations that these categories contain and necessarily develop through expanded reproduction of their own conditions of operation.

The need for intervention in the economic level from the political and ideological levels is a general characteristic of all periods of transition, but it is especially imperative in connexion with transition from capitalism to socialism, since the end-result of this transition is intended to be permanent subjection of the development of the economy to the other instances of the social formation, so that the pseudo-independence of the economic level,

page 227

as expressed through self-regulation by the law of value, disappears from the historical scene.

Here I must mention the harmful effects not only of an empiricist tradition but also of a certain theoretical tradition which claims to establish a direct and reversible relationship between the evolution of the various levels of a social formation. This tradition tends to reduce the whole of social development to the development of the productive forces, the changes at the other levels being regarded as merely "expressions" of what is happening at the economic level. This conception is called "economism". It leads one easily to suppose that the principal, if not the only problem in building socialism is to ensure the most rapid development possible of the productive forces. On this basis one may be led into accepting that, in certain circumstances, it would be preferable to cut down on the effort of planning in order to give greater scope to the "market mechanisms", on the pretext of making the current functioning of the economy more "efficient".

It is thus essential to determine the *limits* within which the commodity categories help a planned economy to function, and beyond which their action deprives planning of all possibility of really influencing the content of economic development (as regards what is produced and as regards social relations). By working out the theory of social formations in transition between capitalism and socialism, and in particular by working out a theory of prices and economic calculation in these social formations, we shall work out at the same time *a theory of the limits that the working of the commodity categories must not overstep*, if it is desired to prevent the beginning of a process of self-development of these categories. The problems met with here obviously relate also to determining the sphere of operation of the law of value and the conditions under which the latter can be subordinated to the law of social regulation of the development of the productive forces and the requirements for transforming the production-

relations.

X Conclusion

The study we have made of the problem of prices in the social formations in transition between capitalism and socialism, and the balance sheet of the discussion of this question that has taken place in the socialist countries of Europe enables me to formulate a few remarks that can be offered by way of conclusion.

First, the problem of prices in these social formations cannot be solved if one starts from ready-made formulae, especially from those constructed on the basis of theoretical concepts specific to another mode of production, the capitalist mode. This has often been forgotten during the discussion I have summarised.

Secondly, in any case, when it is a matter of working out a price policy and concretely fixing the prices of different goods, the problem to be solved is not reducible to laying down "rules" for price-fixing. It consists, in reality, of drawing out the objective laws to which the price-system must

page 228

conform in order to produce the effects required by the way the economy functions. These laws are not merely those which determine the "regulating magnitudes" of prices but also, and just as much, those which determine both the deviations of prices from these "regulating magnitudes", and also, even, "imaginary prices". There is a certain price-structure which corresponds to the requirements of a socialist planned economy, in the sense that there must be conformity between the objective conditions of production, the targets of the plans, and the price-structure. It is obvious that this means that the price-structure must be subordinated to the targets of the economic plans, something that has often been overlooked by some participants in the discussion on prices.

This leads to a third observation, namely, that the problem of prices cannot be solved if it is regarded as a more or less self-contained one. The search for a satisfactory solution necessarily, and primarily, proceeds by way of analysis of the social relations, and, more particularly, of the production-relations characteristic of the social formation in which the price system has to operate -- both those that exist at a given moment and those that the economic plan aims to develop.^[45] These production-relations constitute a structure. The price-system is itself an effect of this structure, and of the changes taking place in it, especially those for which the impetus comes from the political level.

The price-system cannot, for all that, be "deduced" from the present and future production-relations. It has to be built up, and this process demands that *theoretical concepts* be worked out to express the objective *requirements* to which the price-system is subjected, the *functions* it fulfils, and their *limits*. Only when the theoretical concepts have been worked out can one work out the *technical concepts* enabling one concretely to construct a price-system. Too often consideration has been given only to the technical concepts.

The principal aspect of the production-relations of the social formations in transition is the existence of social ownership of the chief means of production. It is because of this social ownership that it is possible to work out a production plan that takes account directly of use-values, and not of exchange-values.

However, the totality of the production-relations of the social formations in transition is dominated by the existence of a fundamental contradiction, resulting from the lack of

conformity between the property-relations and the real relations of appropriation. This is the structure determined by the transitional character of these social formations, which is responsible for the appearance of the value-form, and the need for a price-system to operate. This price-system serves to orientate the decisions of the economic subjects in fields where direct intervention, in the form of detailed orders, by the political authorities, would be *ineffective*, or even harmful, because bringing about results other than those explicitly aimed at.

The role played by the price-system in the social formations in transition between capitalism and socialism is thus not to ensure the "autonomy" of

page 229

the economic subjects, which would presuppose the development of market prices. Its role is -- within a structure objectively characterised by *relative* autonomy of the economic subjects -- to *serve as a relay-station* for political intervention in the economic field, wherever this intervention cannot usefully take place in any other way.

This form of intervention by the political authority is itself efficient only if the price-system is *coherent* with the political aims pursued and if it answers the demands of expanded reproduction and the transformation of social relations. This implies a certain kind of correspondence between prices and "social costs", the latter term here assuming a *specific* meaning, for "costs" cannot be evaluated in the same way regardless of whether the aim of production is to maximise profit or to satisfy social needs and build a new society.

In order to give greater precision to what has been said, the following observations may be added:

- a) The essential role of the price-system in the social formations in transition is to enable the economic subjects to carry out calculations under conditions such that the day-to-day economic decisions taken on the basis of these calculations may, so far as possible,^[46] conform to what is most advantageous for the development and changing of the production-relations in the direction of socialism.
- b) What is "most advantageous" for the development and changing of the production-relations in the direction of socialism can obviously not be determined either by mere economic calculation or, *a fortiori*, by the economic subjects operating through a market (or a pseudo-market) on which prices are formed spontaneously. Therefore, re-establishment, on a substantial scale, of a system of market prices cannot but hold back evolution towards socialism. This last observation does not mean that, within limited fields, certain prices may not be formed by taking account of demand expressed in money terms, or the indications of a "market" largely controlled by social authorities.
- c) The fundamental problems of the development of the social formations in transition *thus do not depend directly on "economic calculation" but on "strategic calculation"* carried out at the level of the central political and economic authorities. The content of this strategic calculation is both economic (in the sense that it concerns the production-relations and the productive forces) and political (in the sense that it concerns relations between classes and between social strata). What corresponds to the economic content of the strategic calculation takes the form of "social economic calculation".
- d) Those of the fundamental problems of the development of the social formations in transition which depend on such social economic calculation cannot be solved *by means of economic calculation in money terms* (or, to use other expressions for the same thing, "calculation in prices", or "in direct economic calculation") but only by means of direct

economic calculation in the sense indicated in Engels's formulation, quoted earlier

page 230

(Engels, [No. 21](#): see [note 2](#) to this chapter). This kind of calculation operates only with physical quantities (including stocks of means of production, land and labour-power considered concretely, that is, taking account of the workers' degree of skill, where they are, and so on). The aim of this calculation is to bring about that combination of means of production which, under the conditions considered best politically and socially, will ensure maximum satisfaction of social needs, themselves evaluated socially. The end-result of this calculation is the formulating of plans for investment and production.

Thus, it is the working-out of such plans for investment and production that takes priority over the calculation of prices and their fixing, since, *in principle*,^[47] these plans are drawn up, independently of any price system. But a system of "significant" prices will be worked out, at a certain moment or for a certain period, as something *derived* from the investment and production plan (which itself takes account of present and future conditions, and therefore gives expression, in real terms, to real social costs). A system of derived prices like this is consequently only a translation into the language of the price-form of social costs as they result from the present and future conditions of production, themselves inscribed in an economic plan.

This is not just a matter of providing a picture to represent mechanisms that cannot be grasped, but of a proposition referring to definite techniques and procedures. These have already been worked out in principle, even if their practical application on the social scale still gives rise to difficulties. Some of the latter are connected with the need to provide a better definition of the group of *theoretical concepts* which can alone furnish the foundation for calculating a price-system like this. Others are connected with the limitations that the technical means available put in the way of the large-scale calculations that are needed here.^[48]

The category of "*dual prices*" refers to one of the forms of such prices, derived from a plan regarded as offering the maximum benefits. The works of Kantorovich ([No. 28](#)), Novozhilov ([Nos. 54](#) and [55](#)), Nemchinov ([Nos. 51](#), [52](#) and [53](#)), Fedorenko and Glushkov ([No. 22](#)), Kornai ([Nos. 33](#) and [34](#)), Frisch ([No. 23](#)) and many other economists and mathematicians have opened wide the road in this direction, at least from the technical standpoint.

Such prices derived from plans make it possible to allow the economic subjects to take, *in a certain number of fields*, decisions which, appearing to be the most advantageous from the calculations which these economic subjects can carry out at their own level, that is, with the information available to them, are also the most advantageous for the national economy, and this not in a narrowly economic sense but also in a "political" sense. These are therefore "political" prices,^[49] which does not mean prices fixed subjectively or determined in an arbitrary way, but, on the contrary, prices determined objectively on the basis of political and economic needs, that is, taking account of the *principle of maximum saving of social labour*, so far as this can be applied, allowing for social requirements as a whole

page 231

(especially for the greater or less degree of mobility of the various elements of production, in particular of labour-power).

In order to be prices of this sort, prices must express not only the actual direct expenditure of labour devoted at a given moment to the various kinds of production, but also the potential indirect expenditure, what Novozhilov ([Nos. 54](#) and [55](#)) calls "costs of reverse linkage". They

must therefore fulfil very strictly one of the functions that Marx so strikingly pointed out in the passage previously quoted (see *supra*, p. 220: Marx, [No. 45](#), p. 112).

In the construction of a price-system for the social formations in transition between capitalism and socialism, the concepts of *Capital* play a fundamental role: that of matrix of the concepts which are specific to these social formations. On the theoretical plane, that is on the plane they claim to be on, the contribution made by the so-called "modern economic theories" is thus absolutely nil, for if anything can be learnt from them, it is not in the *theoretical* but the *technical* field. What these "theories" can, and all that they can, provide are empirical methods and procedures for working-out relations between economic activities. These methods and procedures, so long as one does not take them for what they are not, can be used as helpful tools in certain calculations.

If this can happen, it is, on the one hand, because today, in the most advanced capitalist countries, it has been necessary to try to solve, within the limits imposed by existing production-relations, a set of problems which demand that account be taken of inter-sectoral relations and that attempts be made to forecast the impact of any group of economic and political decisions on future economic development. The economists of the capitalist countries have thus had to solve in advance a certain number of expected problems, within the framework of overall economic calculations. If this can happen, it is, on the other hand, because the development of monopolistic formations has created complex problems of maximising profits (sometimes on the scale of entire branches of production), and, *formally*, these problems are of the same nature as those presented by maximum satisfaction of social needs. The techniques of calculation, and the technical concepts that calculation presupposes, are therefore "tools" which can be used, provided they are correctly modified.

While, however, some of the economic techniques worked out in the capitalist countries can be used in the socialist ones, this is so only provided we not merely refrain from confusing them with the way they are presented ideologically, but also provided they are cleansed of the ideological premises from which they proceed. Moreover, because of the functions they have to fulfil, they do not provide solutions to the *specific problems* of socialism, in particular to those which arise from the need to carry out on the social scale a large number of calculations in physical quantities. One of the characteristics of the calculations carried out in the capitalist countries is that they almost always make use, explicitly or implicitly, of a price-system.

page 232

In the conditions of the social formations in transition, however, there are, as we have seen, two levels of calculation which are quite distinct (even if in practice they are far from always kept distinct): calculation on the social scale, which deals, in principle, as has been said, only with physical quantities (including expenditure in labour), and calculation performed at the level of the economic subjects, which is carried out in terms of prices.

This duality of calculation (in so far as it implies the fixing of real prices, that is, prices that are actually to be paid) is the counterpart of the non-correspondence between property-relations and relations of appropriation. In the conditions of the transitional economies, this non-correspondence, when the contradiction it bears is not properly handled, gives rise to a secondary contradiction between "profitability" from the standpoint of society^[50] and "profitability" from the standpoint of the economic subjects. A secondary contradiction like this can only be an expression of inadequate handling of the fundamental contradiction.

The duality of economic calculation corresponds to the existence of two levels of decision-making. These two levels are situated differently in relation to time: direct economic calculation (without recourse to money categories) concerns decisions relating to the future,

that is, central economic planning; indirect economic calculation (performed by means of a price system) concerns day-to-day economic decisions, relating to the present and corresponding essentially to the *management* of economic subjects endowed with means of production which have been assigned to them for a more or less lengthy period of time.

The disappearance of this duality requires a long process of transformation of the production-relations and a considerable advancement of the productive forces, which must lead either to social integration of the labour-processes or to a socially controllable degree of interconnexion of these labour-processes. The premises of such a change can already be seen with the formation of increasingly huge economic subjects, sometimes embracing entire branches of the economy (production of electricity, oil, natural gas, railways, etc.) and also with the interconnexion of an increasing number of economic subjects, through the setting-up of calculation centres directly linked with the production-units and capable of grasping their operations in "real time" (Fedorenko and Glushkov, No. 22).

Until this transformation has been fully accomplished, there can be no doubt that the *unification of management and planning* is still only something for the future.

The present situation therefore demands that the two types of activity (management and planning), while closely connected, with the former strictly subordinate to the latter, should each develop under specific conditions.

At the level of planning, though the actual use of methods of drawing up plans which would involve only calculations dealing with physical quantities is still only beginning, the *structure* of these calculations can

page 233

already be clearly perceived. It is given us by *matrix calculation* and linear and non-linear programming calculations. Here, too, we must mention the contributions of Kantorovich ([No. 28](#)), Novozhilov ([Nos. 54](#) and [55](#)), Fedorenko ([No. 22](#)), Simon ([No. 26](#)), Kornai ([Nos. 33, 34](#) and [35](#)), Frisch ([No. 23](#)) and many others,^[51] including also the works of engineers and mathematicians who have enabled us to go more deeply into the problems of programming, especially the writings of G. B. Dantzig and Ph. Wolfe ([No. 18](#)). Even if some of these works call for critical examination, so as to bring out those of their premises which are not in conformity with the conditions of development of the social formations in transition, they none the less form one of the foundations on which a whole edifice will have to be built.

Even though, however, we have already mastered essential principles regarding the calculations to be made on the social scale, very great problems remain to be solved, both on the plane of operative techniques and on that of their conformity with real economic processes. Furthermore, as regards electronic calculating machines, we are still far from possessing the park of fast and powerful machines that would be needed to handle adequately the enormous amount of data that would have to be handled.

For the moment, therefore, the calculations performed on the social scale deal with aggregated magnitudes, and this deprives the results of these operations of much of their realism. For this reason and some others (which relate particularly to the actual collection of data), one is still obliged to use, even for overall economic calculations, a large number of data expressed in price terms. These prices are later on, in some cases, modified in the light of the results of these calculations. This leads to proceeding by way of successive approximations and the taking of a path which one is not at all sure can lead to satisfactory results (at the purely technical level, because the convergence of the calculations is not guaranteed). However, this state of practice should not cause us to lose sight of the next steps in a genuine process of social

direction of the economy.

While waiting, therefore, for direct economic calculation to become capable of developing in complete independence of any price-system, it is necessary to try and make the most of the procedures that enable us gradually to work out a price-system which can be used for certain planning calculations, and later for management purposes (Kornai and Liptak, No. 35; Kornai, Nos. 33 and 34; Malinvaud, [No. 41](#)). At the present stage it seems impossible to do without procedures which employ prices even at the level of planning calculations, but this must not make us lose sight of the fact that the aim (dictated by the structure of the problems to be solved) is to "bring down" calculation in prices to the level of the economic subjects alone, and then, later on, to banish it altogether (unless it should seem convenient, even at that stage, to use "imaginary prices" which would therefore not correspond to any "value" in the strict sense of the word).

As regards indirect economic calculation, while waiting for the time

page 234

when this can be done on the basis of prices worked out in relation to an investment and production plan, that is, on the basis of prices strictly subordinated to this plan, because derived from it, it is clearly essential to establish a price-system which comes as close as possible, so far as this can be judged, to what such a price-system would be. It seems that prices of the "two-channel" type meet this demand most closely, provided that this system takes full account of reverse-linkage costs, which are, in fact, one of the ways in which the priorities of the economic plan, that is, political choices, express themselves.

A price-system constructed in accordance with this conception would already be more suitable than present prices to the needs of the transitional economies. It would make it possible to subordinate the activity of the economic subjects effectively to the requirements of overall development in the direction of socialism, while restricting useless or ineffective interference in day-to-day management. It would make it possible, therefore, for the economic subjects to play the role that corresponds to their real capacities, and this role alone. Consequently, it would make it possible to simplify the plan indices and to develop those direct links between enterprises which are necessary for their successful working, the aim of this being always the fulfilment of the plan and of its indices (and not the satisfaction of a demand taking shape on a market where prices could fluctuate freely).

Finally, what the discussion on prices has shown is, first, the absolute inadequacy of "formulae" aimed at building price-systems according to simplified "models" (for none of these "models" can correspond to the nature of the production-relations of the social formations in transition); secondly, the very serious weaknesses of the existing systems, weaknesses so great that they have made some economists turn towards the reconstitution of market prices; and, finally, the need to formulate a theoretical problematic that will put the price problem back into the only framework in which it can really be thought out and solved, that of the specific structures of the social formations in transition, and so, also, of the requirements for building socialism.

(Study published in *La Pensée*, No. 133, June 1967, pp. 25-56, and No. 134, August 1967, pp. 35-65.)

NOTES TO CHAPTER 6

1 This paper was written in connexion with the preparation of a work on the structures of the transitional economies and economic calculation. The numbered bibliographical references relate to the bibliography given at the end. [p. 184]

2 What Engels said on this point should be recalled here:

"Direct social production and direct distribution exclude all exchange

page 235

of commodities, therefore also the transformation of the products into commodities (at any rate within the community) and consequently also their transformation into *values*. . . .

"It is true that even then it will still be necessary for society to know how much labour each article of consumption requires for its production. It will have to arrange its plan of production in accordance with its means of production, which include, in particular, its labour forces. The useful effects of the various articles of consumption, compared with each other and with the quantity of labour required for their production, will in the last analysis determine the plan. People will be able to manage everything very simply, without the intervention of the famous 'value.'" (Engels, No. 21, pp. 348-9: Eng. edn. [Anti-Dühring](#), pp. 339-40.) [p. 184]

3 Even the few large-scale "price-revisions" that have been undertaken in the Soviet Union since the Five-Year Plans began have not been based on theoretically worked-out conceptions, but were in each case responses to a certain number of practical pressures, mainly connected with increasing gaps between costs of production and selling prices. [p. 184]

4 A description of these measures will be found in an article by O. Tarnovsky ([No. 60](#)). [p. 185]

5 The last revision of Soviet wholesale prices was undertaken as far back as 1955; in certain branches of industrial production, notably in machine building, more than 50 per cent of production is now (in 1966) sold at "provisional prices", because no definitive price has been laid down since 1962 for new products (cf. A. Komin, [No. 31](#), p. 10). [p. 185]

6 The following analysis, like the discussion on prices, is mainly concerned with the problem of prices in the state industrial sector. Questions relating to prices on the collective-farm or peasant markets, and the very important questions relating to prices of purchases from and sales to the collective farms and the peasants, or the co-operatives, are thus not dealt with, as such. These questions belong, in part, to a different set of problems from those of industrial prices, because the relations between the working class and the peasantry are very directly involved. A description and a history of the price-system of the USSR as a whole will be found in the book by H. Denis and M. Lavigne ([No. 19](#)). [p. 186]

7 They were, indeed, "administered" or "regulated" prices, rather than "planned" prices, that is, prices determined as part of a plan. Real planning of prices demands the solving of a number of theoretical problems which are only now being tackled. [p. 186]

8 These organs have varied from period to period, and are different from product to product. It would be pointless to spend time here on these organisational aspects. [p. 186]

9 The only "price reform" carried out on a fairly large scale was that of 1949, but, on the one hand, this affected, in the main, industrial products only, and, on the other, it was largely inspired (like a less substantial "reform" carried out before the war) by budgetary considerations. What

page 236

was aimed at was re-establishing so far as possible the financial profitability of heavy industry, on the basis of a profit-norm of 3-4 per cent on the cost of production. Thereby, industrial wholesale prices were increased by about 80 per cent, but the price-structure continued to lack much coherence. [p. 186]

10 In the Soviet Union these researches are being carried out mainly in the Institute of Mathematics Applied to the Economy. This Institute, which is attached to the USSR Academy of Sciences, was founded through the initiative of the late Academician Nemchinov. It is now directed by Academician Fedorenko. [p. 189]

11 It will be observed that he speaks of "the most important principle", which obviously implies that it is not seen as the only principle, and therefore that prices may "deviate" from value. [p. 189]

12 It should be noted that, even at the time when there was a rather close similarity between the procedures followed by the different socialist countries of Europe, there were nevertheless a certain number of differences as regards the conditions of price-fixing. These differences related not only to "standards of profitability" but also to the *calculation of costs of production*. Costs of production are, indeed, *not ready-made absolutes*: they are worked out in accordance with definite rules (concerning the evaluation of production funds, depreciation norms, allocation of expenditure common to complex forms of production, etc.), and these rules vary not only from one country to another but, even within a single country, from one period to another and even sometimes from one industry to another.

Though these rules determine the price level, whenever a connexion is established between selling price and costs of production (which makes the conditions for calculating costs of production extremely important), the discussion dealt little with the rules for working out costs of production. This is, however, a problem that is

beginning to be given more attention (e.g., Sitnin, [No. 57](#), pp. 45-6). [p. 191]

13 I have already pointed out that the problem of the "rules" for evaluating these investments and the problem of "rules" for depreciation are both far from having been solved, and are giving rise to a certain amount of discussion. [p. 194]

14 In a passage in Book III of *Capital* Marx brings up the problem of changes in value or price of production as a result of general laws. He does this by emphasising that the sale of products at certain prices is bound up with a distribution of social labour among the various activities which is proportional to social needs. Thus, he writes:

"If this division is proportional, then the products of various groups are sold at their values (at a later stage [*bei weiterer Entwicklung*] they are sold at their prices of production), or at prices which are certain modifications of these values or prices of production determined by general laws." (Cf. Marx, No. 46, p. 685, corresponding to p. 648 of Vol. 25 of the Dietz Verlag edn.: Eng. version from F.L.P.H. edn., Vol. III, p. 620.)

page 237

As will be seen, this idea is especially important in that it stresses that prices which are *modifications of value determined by general laws* "also express the socially necessary expenditure of labour"; since production is commodity production, a *distribution of labour proportional to society's needs* is possible only when equivalent quantities of social labour are exchanged. [p. 196]

15 The problems presented by calculating costs of production, and "choosing" significant costs of production, are the same here as in the system of "own costs" (see above, [note 12](#)). Among the economists who support a price-system of the "price-of-production" type there reigns a great variety of attitudes to the solving of these problems. [p. 197]

16 The latter writes, for example:

"It is easy to increase the rights of the enterprises. But it is more difficult to ensure that the interests of those who work in these enterprises shall coincide with those of the national economy, and, in a rational planned economy, independence can be given to enterprises only in those fields where the interests of the production-unit have been brought into line with the plan. To achieve this, a complex system of measures is needed . . . which demands that centralised economic direction be increased and improved." (Novozhilov, [No. 55](#).)

In the same article Novozhilov points out the meagre amount of information contained in any price-system and the need, in consequence, to carry out calculations that explicitly take into account use values and social needs.

[p. 198]

17 This rate of about 10 per cent did not save a number of branches of heavy industry from working at a loss. Komin, who quotes the figure of 10 per cent, also shows that, in order to increase the profitability of heavy industry by 1 per cent, it is necessary to agree to an average increase of 2.2 per cent in the wholesale prices of heavy industrial products. Thus, an increase of profitability by 5 per cent, equalised throughout all branches, would entail an increase of 20 per cent in the general price-level. This explains why there is no question, for the moment at any rate, of equalising the rates of profitability of the different branches. It is clear that as soon as one applies rates that differ between branches, a "price-of-production" system in the exact sense of the word is no longer being applied. [p. 199]

18 In relations with the capitalist countries the socialist countries use the same prices as the former, except when they wish to accord to some of them (e.g., certain "developing" countries) conditions which are more advantageous than would follow from application of the prices current on the capitalist market. [p. 201]

19 Incredible as it may seem, this sort of question often comes up in the discussion on prices, and is given a wide variety of answers, sometimes "supported" by quotations from *Capital*. [p. 205]

20 As illustrations of how these questions arise concretely, here are some examples. In the G.D.R. down to 1 April 1964, when a new price-system

page 238

was introduced for fuel and power products, the price per ton of lignite was the same, regardless of quality: 3.51 DM, in the crude state, and 16.56 DM, in the form of bricks. This was because the cost of production of the different qualities was the same. After April 1964 the existence of different qualities of lignite was recognised, with a price-range of 6-9.2 DM for a ton of crude lignite and 30-42 DM for a ton of lignite bricks (Tarnovsky, [No. 60](#)). Quality was defined by caloric power. Following the introduction of the new prices -- which, it will be observed, are higher than the old ones -- industry's consumption of units of fuel and power has fallen (Lefranc, [No. 37](#), p. 88). [p. 206]

21 As I have already mentioned, in the USSR the basis of the price system was, until recent years, the prices of 1926-7; whatever the changes made since then in different individual prices, the weight of this basis continues to be felt in the system as a whole. In the G.D.R., down to the recent reform, the "basis" of prices was 1937 in the engineering industry and 1944 for fuel and power prices (Lefranc, No. 37, p. 80). [p. 206]

22 Thus, in the G.D.R., building the Schwedt petrochemical complex involved the participation of over 3,000

enterprises (Lefranc, No. 37, p. 89). [p. 207]

23 On the grounds that only living labour produces value, some thought it right to conclude that only living labour need be economised to the maximum. [p. 207]

24 One of the positive results of the discussion has certainly been to draw attention to the inadequacy of past practices. Thus, P. Bunich wrote in 1965: "It is inadmissible that a large number of office workers should be occupied in checking on the presence or absence of the workers in a factory while no account is taken of the periods during which the machinery is at a standstill; that every kopeck paid in wages should be counted meticulously while investment funds a hundred times as big as the wages bill are spent without the necessary analysis; that entire offices should be engaged on working out norms of living labour, while revision of the norms for return on production funds and volume of production-capacity is carried out in random and occasional fashion." (Bunich, [No. 16](#), p. 22.) [p. 207]

25 As a whole, though the annual rates of growth of their national incomes have noticeably fallen, these countries still enjoy growth-rates a little higher than the industrialised capitalist countries. However, in recent years the growth-rates of these two groups of countries have come noticeably closer. In the most highly industrialised socialist countries, rates of growth have been as follows, since 1958: (see table on p. 239)

Before 1958, the rates were of the order of 10-12 per cent; they are still at this level in Romania, Albania and Bulgaria. They are 6-7 per cent (average for 1961-5) in Poland and Hungary, with a downward tendency in the latter country in 1964 (4.7 per cent) and 1965 (2 per cent). (Source: United Nations, [No. 50](#), and Babaikov, [No. 7](#)).

page 239

Annual growth-rate of the national income

	<i>USSR</i>	<i>Czechoslovakia</i>	<i>G.D.R.</i>
1958	12.5	8.0	11.0
1959	8.0	6.0	8.5
1960	8.0	8.3	4.6
1961	6.8	6.8	3.5
1962	5.7	1.4	2.2
1963	4.1	2.2	2.9
1964	9.0	0.9	4.5
1965	6.0	2.5	4.7
1966	7.4	--	--

[p. 208]

26 Among which must be mentioned a reduction in rates of accumulation. In some years this reduction has lowered the absolute value of current accumulation. [p. 208]

27 On the notion of an "empirical concept", see L. Althusser's article, [No. 2](#). [p. 210]

28 In France, for instance, Maurice Godelier, in his book on economic rationality ([No. 25](#)), has accepted a series of propositions borrowed from Pareto and developed by the chief theoreticians of "welfare economics", without subjecting them to the rigorous criticism which is essential. [p. 212]

29 The article by A. N. D. McAuley ([No. 40](#)) gives an interesting critique, from a non-Marxist point of view, of the premises of the theory of "welfare economics". He shows how very narrow are the limits within which the "theorems" of welfare economics are valid, bringing out, in particular, the point that among these premises are conditions that contradict present-day conditions of production, since "welfare economics" theory assumes continuity of functions of production, absence of decreasing marginal costs in all industries, no external costs, and so on. [p. 212]

30 To do this would be to respond to the demand formulated by Engels when he wrote: "With these discoveries [by Marx] socialism became a science, which had in the first place to be developed in all its details and relations" (No. 21, p. 58) (Eng. version from *Anti-Dühring*, p. 33). [p. 213]

31 Thus, Marx writes:

"As the co-operative character of the labour-process becomes more marked, so, as a necessary consequence, does our notion of productive labour, and of its agent the productive labourer, become extended. In order to labour productively, it is no longer necessary for you to do manual work yourself; enough, if you are an organ of the collective labourer, and perform one of its subordinate functions." (Marx, No. 44, pp. 183-4: Eng. version, *Capital*, Vol. II, p. 517.) [p. 217]

32 In the [Critique of the Gotha Programme](#) (No. 47), Marx replies to this stuff when he writes:

"Labour is not the source of all wealth. Nature is just as much the source of use-values (and it is surely of such that material wealth consists!) as labour, which itself is only the manifestation of a force of

page 240

nature, human labour power. . . . The bourgeois have very good grounds for falsely ascribing *supernatural creative power* to labour. . . ." (*Op. cit.*, pp. 17-18: Eng. edn., pp. 14-15.) [p. 218]

- 33 Attempts at measuring, within capitalist economy, certain empirical magnitudes corresponding approximately to the theoretical concepts of *Capital*, like "price of production" or "average rate of profit" are, of course, quite a different matter. Here it is a question of *measurement carried out on, the basis of prices which are already given, and not of measurement of empirical magnitudes other than prices in order to construct a price-system*. This is why there is point in observing the historical evolution of prices under capitalism: it enables us to observe the objective tendencies of a certain number of magnitudes within a social formation in which these magnitudes express themselves spontaneously through determined concrete categories. [p. 218]
- 34 If one is not in a position to solve theoretically the questions that are raised by the establishment of a price-system, one is easily led to leave these problems to settle themselves in practice, through market mechanisms. But the prices that the market can set up are no longer those that correspond to the needs of planned economic development; they therefore come into contradiction with planning, and so with the development of the socialist mode of production. [p. 219]
- 35 Including the re-establishment of free convertibility of currency; and of bankruptcy, as a way of eliminating "unprofitable" enterprises. [p. 219]
- 36 It should be observed at this point that a distinction must be drawn between re-establishing "market prices" (which implies a possible reaction by prices on quantities produced) and allowing some latitude to some social authority or other to modify certain prices in order to take account of the level of demand (for example, selling-off perishable goods at relatively low prices, or doing the same with stocks of consumer goods which cannot find customers at the prices previously fixed). These are two quite different things. [p. 220]
- 37 Notably in Book III. On this see [note 14](#), *supra*. [p. 220]
- 38 To clarify the above remarks, we can illustrate the problems involved by means of some examples. Let us take the question of the price of electric power. It is one thing to determine the average price at which power has to be sold to users, in order to conform to the laws of price determination which govern expanded reproduction and the development of the productive forces; it is quite another to fix the prices at which power will be sold depending on the hours between which it is to be used, and by whom. In the latter case, indeed (if prices are to be used as one of the ways of directing the economy and subordinating the decisions of the enterprises to the targets of the plan), it is necessary to determine the divergences from these average prices, so that the capacity for producing electric power may be utilised as fully as possible throughout the day and throughout the year, and so as to render it less advantageous for certain users to use power at certain times, and more advantageous for others, and so on.

page 241

Similarly, it is one thing, where railway charges are concerned, to fix the average price per ton-kilometre, and quite another to determine the price which the enterprises of a particular locality, producing a particular kind of goods, will pay for transport, and to do this in such a way that the trucks are as full as possible, both coming and going. This sort of problem arises continually. It presented itself on a large scale when the Ural-Kuznetsk combine was set up. The price of transport was then fixed at a "very low" level, which was regarded as "artificial" by some commentators. In reality the price corresponded, at least intuitively, to the requirements of maximum saving of labour, once the two centres of production of coal and iron ore had come into being, having been established during the Soviet Union's First Five-Year Plan. [p. 222]

39 Cf. E. Balibar, [No. 9](#), especially pp. 212 et seq. [p. 223]

40 I have developed this point earlier in various articles ([Nos. 12](#), [13](#) and [14](#)). [p. 223]

41 Saying that one can think out the conditions for a certain calculation clearly does not mean that one can actually perform the calculation; to do that the necessary conditions have to be objectively realised. At the present time, these conditions are as yet only partially available; this is precisely why the calculations that serve as the basis for planning have to be completed by calculations carried on in prices, at the management level. [p. 225]

42 It will be recalled that, in the *Grundrisse*, Marx (No. 48) emphasises that the very development of large-scale industry tends to deprive the value form of its content, by weakening further and further the link between value and labour-time. He writes in this connexion: "From the moment when labour in its immediate form ceases to be the great source of wealth, labour-time ceases to be its measure, and must cease to be the measure of use-value. . . . Thereby, production based on exchange-value breaks down." (No. 48, p. 593.)

When Marx speaks here of "labour in its immediate form" he means labour *directly* devoted to producing an object, or to producing the means of production used to obtain this object. In large-scale industry, he says, the wealth created depends less and less on this immediate labour and more and more "on the general level of science and the progress of technology, the application of science to production" (No. 48, p. 592).

The socialist economies of today have not yet reached this level in the development of their productive forces, but their production-relations are already prepared for it. This is why, when plans are drawn up, it is necessary to work essentially in terms of use-values and concrete labour and not in terms of exchange-value; at the level of planning and social calculation, exchange-value is already stripped of meaning. [p. 225]

43 In practice, by pointless considerations of financial "profitability". [p. 225]

44 J. V. Stalin ([No. 58](#)). [p. 226]

45 This observation entails especially important consequences as regards the prices at which exchange takes place between the different "sectors"

page 242

of the economy: the state sector, the co-operative sector, the private sector, the capitalist sector, and so on. This is a problem which has not been specially examined in this article. [p. 228]

46 The reservation expressed here is important, because it seems clear that it is not possible to build a price-system such that all the day-to-day economic decisions that the economic subjects may take as a result of calculations made in price terms will coincide with the politically decided aims for the development of the social formation. Hence the need to combine a variety of forms of intervention at the economic level from the political level.

In any case, calculations in price-terms carried out by the economic subjects can have point only in relation to day-to-day economic decisions. This excludes, in principle, decisions regarding investments. Where the latter are concerned, the taking of decisions that are coherent and ensure the best use of accumulation funds demands knowledge of "future economic conditions", that is, of all the decisions about investment that are being put into effect, or which are to be implemented in the forthcoming period. This is beyond the horizon of the economic subjects and cannot be expressed by the price-system. [p. 229]

47 This is clearly only a principle. In reality, given the present state of the techniques and means of calculation, it is inevitable that some of the planning calculations have to be made using a price-system. However, calculations made in this way must always be seen for what they are -- substitutes for more fundamental calculations, the results of which require to be evaluated socially and politically. [p. 230]

48 These calculations require, indeed, the solving within a limited period of time of tens of thousands of simultaneous equations. Some years ago this task would have been impracticable. In 1956 for instance, given the solution codes available, it was only possible to solve, as a practical proposition, in the form of linear programmes, problems of some 60 equations and 100 variables, and the solution took about ten hours to obtain. In 1958 it became possible to deal easily with problems of 300 equations, and it began to be possible to ensure the management and self-checking of the matrices by the computers themselves. In 1960 problems involving 500 equations were being handled with ease, and they were beginning to go over to linked calculations which made it possible to deal, in acceptable conditions, with several neighbouring fields of possibility, and to test the sensitivity of the results to slight variations in the data (which is necessary when the data relating to the future are more or less uncertain). By 1962 they were dealing fairly easily with systems with 2,000 equations and 35,000 non-zero coefficients. In 1967 it is expected that it will be possible to handle problems involving up to 8,000 equations; moreover, studies which have been undertaken in a number of countries on decomposition algorithms give the prospect of soon solving problems involving 20,000 equations. Thanks to this progress we are nearing the stage when computers will actually be able to deal in a really

page 243

useful, that is, a sufficiently concrete, way (bringing in only so many averages and aggregates as are acceptable because they do not distort the nature of the problems too much) with problems covering the whole of a national economy. In addition to the improvement in codes and languages and the increase in the power and speed of computers, two developments should help to achieve this result: the techniques of automatic generation of matrices on the basis of prototypes, and above all, the perfecting of an effective algorithm for solving problems involving non-continuous values. [p. 230]

49 It is obvious that today, in most of the capitalist countries, the most important prices are no longer market prices but political prices, that is, they result from the "strategy" of certain capitalist groups and of the state. Here, too, this does not mean that these prices are not determined objectively: they are based on the objective economic and political requirements of state monopoly capitalism, including those that result from the class struggle. [p. 230]

50 The expression "profitability from the standpoint of society" is obviously only a metaphor the use of which can be justified not only by its convenience but also by the contrast it enables one to stress, between two levels of calculation. This metaphor should not, however, lead us astray for "profitability from the standpoint of society" is not measured in terms of surplus of receipts over expenses but in terms of development of the productive forces and changing of social relations. [p. 232]

51 Some of these writers have on occasion taken up positions favourable to a very extensive decentralisation of economic management, but these positions are not logically bound up with their analysis of the conditions for significant economic calculation; quite the contrary. It is therefore mistaken to proceed from criticism of these positions to refusal to recognise the importance of the contribution made by these writers to the solution of serious problems in the field of economic calculation. [p. 233]

Appendix to Chapter 6

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page 247

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<u>From Marx to Mao</u>	<u>Other Documents</u>	<u>Reading Guide</u>	<u>Back to Part 1</u>
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