

P.C. JOSHI MEMORIAL LECTURE 1

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*The Marxian Theory
of Socialism and the Experience of
Socialist Societies*

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It is a special mark of honour for me to be invited to deliver a lecture dedicated to the memory of Comrade P.C. Joshi, one of the pioneers of the Indian Communist movement. His name has come to be associated in my mind inseparably with some of my own vivid schoolboy memories of the forties: reading the news of the Red Army's defiance of Hitler: groping towards the source of its inspiration, the Bolshevik Revolution; introduction to Marxist literature, for the first time circulating in India; encounter with its populariser, the Communist Party; *People's War* pictures of its General Secretary, P.C. Joshi . . . I did not in fact see Comrade Joshi until 1954 (at Kanpur). Characteristically, he never failed to recognise me afterwards, when I met him on fewer than half a dozen occasions over the next two decades; and his affectionate friendliness was never diminished, though I could not agree with some of his views.

P.C. Joshi devoted his whole life to the Communist Movement; and he had a long, almost romantic attachment to the Soviet Union (in which, of course, he was not alone). He did not live to see the Soviet Union collapse and die, in what to many would seem practically an act of suicide. I have, therefore, felt that the theme most appropriate for the present lecture would be an analysis of the concept of socialist society as it has developed in Marxian theory, that is, in the classics (Marx and Engels), the writings of Lenin, Stalin and Mao Tse-tung, and the studies of Marxist economists, like Lange and Dobb. Very provisionally, an effort is made to scrutinise these theoretical writings and to pursue their logic. The theory is, then, sought to be checked with the historical experience of socialist societies, making free use of what we now know for certain about their past. On such a subject one can hardly claim to come up with novel illumination. My sole object is to identify and arrange the major questions. My own answers are throughout provisional and are made with much trepidation, though

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some of the views here presented I have held since 1976: it was then that I first essayed a study of the 'contradictions of socialist society' for a speech at a condolence meeting for Mao Tse-tung.

I

In Marxist theory socialism is a stage of society which follows the overthrow of capitalism. The classics have defined three important features of a socialist society:

(a) All means of production are 'socialised', that is, brought under public or cooperative ownership. Since capitalists and landlords have been expropriated, there is no private profit and rent; and what was previously the product of 'surplus labour' of the workers, which provided these exploitative incomes, becomes available for (1) distribution among workers as additions to their wages or for social services; (2) replacement and enlargement of the means of production; and (3) costs of administration, which is essential for both (1) and (2). (See especially Marx: 'Critique of the Gotha Programme' in Karl Marx and Frederick Engels, *Selected Works*, II, Moscow, 1949, pp. 19-21).

(b) Socialist society replaces 'anarchy in social production' by 'conscious organisation on a planned basis' and eliminates the 'waste' of productive forces, inescapable in capitalist production, the waste reaching 'its zenith in (periodic) crises' (Engels, *Anti-Duhring*, Moscow, 1947, pp. 419-20).

(c) Socialism continuously expands production at a much higher rate than would be possible for capitalism. This is implicit in many passages in Marx's and Engels's writings, and fairly explicit in Engels's speech at Marx's graveside (1883), when he presented the perspective of an increase, 'under socialism', of 'the social productive forces and their yield by planned operation of the whole production in an ever increasing measure' (Marx and Engels, *Selected Works*, II, p. 151). Such a process is necessary for reaching the higher state of Communism, where at last there would be an abundance of goods, for every one to be provided with 'his needs' ('Critique of the Gotha Programme': *ibid*, II p. 23).

One of the common assumptions in Marxist theoretical analyses of the economics of a socialist society have been that (a) above must inevitably lead to (b) and (c). This is found to be particularly the case with Stalin's *Economic Problems of Socialism in the USSR*, Moscow, 1952. Here, on p. 45, 'the basic law of socialism' is defined as

'the securing of the maximum satisfaction of the constantly rising material and cultural requirements of the whole of society through the continuous expansion and perfection of socialist production on the basis of higher techniques'.

Since Stalin emphasizes that an economic 'law' operates 'independently of our will' (pp. 93-95, etc.), it follows that the above quotation does not describe a goal to be achieved but states the objective inevitability of a continuously expanding production resulting from socialist or public ownership of the means of production, i.e. of (b) and (c) automatically following upon (a).

But this is surely a point to be established rather than assumed, especially in the light of recent events. Our study of socialism should therefore start from the detailed scrutiny of (a) alone, so as to establish without preconceptions what are the possibilities of development once a socialist economy is established and the means of production are made public property.

II

We assume, to begin with, that we have here a society where the state owns and controls *all* means of production and that the state has no particular interests of its own, as against those of the citizens at large. The latter assumption will have to be examined later; but for the present we will proceed with it.

Adopting these two assumptions, the second one implicitly, Engels stated without qualification, that 'the seizure of the means of production by society puts an end to commodity production' (*Anti-Duhring*, p. 420). Stalin reads this formula in a rather unpersuasive manner: Engels was thinking of the seizure of all 'means of production'. Therefore, since in the USSR public property was confined to industry, while agriculture was under cooperative property, commodity production had to continue until the collective farms too were transformed into state farms or public property. He makes it seem as if commodity production in the socialist economy was inescapable only because the collective farms were insisting on money-payments for their products and would not be satisfied with goods-exchange (*Problems of Socialism*, pp. 13-21). Here he totally overlooks the inevitability of commodity production so long as there is a system of wages, though elsewhere (p. 23) he admits that 'consumer-goods which are needed to compensate the labour power expended in the process of production are produced and realized in our country as commodities'.

The duality in Stalin's treatment of the matter probably stems from an anxiety not to challenge directly the theoretical validity of the view adopted by both Marx and Engels that commodity production would end as soon as the capitalists are expropriated after a proletarian revolution. However, the weakness of this position, even though adopted by Marx, can be seen from Marx's own exposition of it in his 'Critique of the Gotha Programme'.

Marx says here (Marx-Engels, *Selected Works*, II, p. 21) that 'within the cooperative society based on the common ownership of the means of production, the producers do not exchange their products'—in other words, there is no commodity production. Then, how does one obtain the articles of consumption one needs? The answer is that:

'the individual producer receives back from society—after the deductions [for capital replacement and enlargement, social services, and administration-costs] have been made—exactly what he gives to it. He has given to it his individual quantum of labour. He receives a certificate from society that he has furnished such and such an amount of his labour (after deducting his labour for the common funds), and with this certificate he draws from the social stock of means of consumption as much as costs the same amount of labour'. (*ibid*, pp. 21–22).

A certificate is given to the worker which would enable him to obtain goods he wants for their use-values to him. But since, as Marx recognises (*ibid*, p. 22), each individual is different, and differently placed (in terms of marital status, family, and abilities), his pattern of demand, depending upon the marginal utility of each good for him, would be different from that of another. The practically infinite differences among individuals' patterns of demand could only be accommodated if the certificate was as infinitely divisible. Smaller and smaller non-transferable coupons could possibly serve, but would increase the costs of administration without securing the utmost possible approximation to the varying sizes of units with which the individual would need to convert his 'certificate' into goods according to his own scale of preference. The best and most efficient and least expensive coupon would have to be exchangeable and, therefore, divisible at will; as such it would be nothing other than a token of money, or currency note and coin. We therefore, come back to money, and so to commodity-exchange.

If, then, for one's labour one receives money, how can one argue that wage-labour no longer exists under socialism? Stalin insisted that since there was no longer capitalism, and no 'surplus value' (though one should, perhaps, rather say, no private appropriation of surplus value), there could be no possible category now of 'labour power as a commodity' (*Problems of Socialism*, p. 21). In this, undoubtedly, he had the support of the classics. Had not Marx proclaimed in 1865 'the revolutionary watchword, "abolition of the wages system"' as a replacement of 'the conservative motto, "A fair day's wage for a fair day's work"' ('Wages, Price and Profit': Marx-Engels, *Selected Works*, I, Moscow, 1950 pp. 404–5)? Still, when in 1875 Marx grappled with the problem of payment for labour under socialism, one notices his cautious hesitations:

'What we have to deal with here is a communist [i.e. the socialist or first phase of communist] society, not as it has developed on its own foundations, but, on the contrary, just as it emerges from capitalist society . . . Here [in payment for labour] the same principle prevails as that regulates the exchange of commodities, as far as this is exchange of equal values . . . As far as the distribution of the latter [individual means of consumption] among the individual producers is concerned, the same principle prevails as in the exchange of commodity-equivalents . . . Hence *equal right* here is still in principle *bourgeois* right. The right of the producers is *proportional* to the labour they supply'. ('Critique of the Gotha Programme', Marx-Engels, *Selected Works*, II, pp. 23-23. His own emphasis).

For an individual, his 'labour-process' thus remains that of free wage-labour. One calls it 'free' here, not only in the sense that the labourer is free of capitalist exploitation, but also in the 'bourgeois' sense that, as in the ideal conditions of 'perfect competition', he would be the beneficiary of a total mobility of labour: he would have the right to shift to whichever occupation that, by his inclinations and interests, suited him best. If this did not happen (as, indeed, has been the case in some socialist societies), there would not be, to that extent, 'equivalent values' possessed by labour in different industries.

That labour power remains a commodity under Socialism has an important bearing on the notion of 'surplus'. From the point of view of 'society', what time the worker spends at labour over and above that necessary to replace his wage so as to provide the social dividend (Lange), may also be deemed 'necessary labour' (Marx, *Capital*, I, pp. 539-40); but from the worker's point-of-view (his immediate self-interest) it would still be 'surplus' labour. Just as an economic theory of Socialism must treat of wages as wages, it must equally treat of surplus labour and surplus-value, appropriated by society or, in its name, by the state, and not consider them as obsolete or non-existent. In other words one should whole-heartedly endorse Schumpeter's counsel (1911/1926) that 'it is practically important for a communist system to recognise this clearly and always to separate profit from wages' (Joseph A. Schumpeter, *The Theory of Economic Development*, New York, 1961, p. 147. Note that 'profit' is here 'entrepreneurial profit' of his own definition).

Both the articles of consumption (i.e. products of 'Department II' in Marx's definition in *Capital*) and labour power remain commodities in socialism. What need not enter distribution as commodities are capital goods (or 'means of production',—products of Marx's 'Department I'), since whether they are used in Department I or II, their owner would remain the same, namely, the State. (Cf. Oscar Lange (1936-7), 'On the Economic Theory of Socialism' in Lange and F.M. Taylor, ed. B.E.

Lipincott, *On the Economic Theory of Socialism*, Minneapolis, 1938/1984, p. 73: 'There is no market for capital goods and productive resources outside of labour'). Stalin therefore explicitly denied that the means of production could be 'commodities' in the same sense as consumer-goods (*Problems of Socialism*, pp. 58–59).

Marx and Engels spoke of labour as directly establishing the cost of each product (whence, let us say, $\text{Cost} = \text{Labour}$, or $C = L$) in a socialist society. (We may assume that by labour they meant here living labour as well as stored-up labour, as in machinery, buildings, raw materials etc.) In a socialist society, we are told, apart from determining the share of each member in the total products of society available for distribution, labour-time acquires another function: 'Its apportionment in accordance with a definite social plan maintains the proper proportion between the different kinds of work to be done and the various wants of the community' (*Capital*, I, Moore-Aveling trans., ed. Dona Torr, London, 1938, p. 50). The thesis obtains considerable elaboration in Engels's *Anti-Duhring*, pp. 460–61, where the argument concludes with the statement: 'People will be able to manage everything very simply, without the intervention of the famous 'value'.' We have now seen that this could be the case only in respect of products of Department I. In the case of products of Department II and that of labour-power, the formula $C = V = L$ ($\text{Cost} = \text{Value} = \text{Labour-time}$) would operate. 'The famous 'value"' would still retain the field here.

We are, then, faced with a situation which F.M. Taylor conceived in his essay on 'The Guidance of Production in a Socialist State' (1928). Once the money income of the citizens (as wages presumably) was determined by the State, the citizen in turn 'should dictate to the state what shall be produced in return for that income' merely by the purchase-choices he would make (Essay in B.E. Lippincott, ed., *On the Economic Theory of Socialism*, pp. 41–54, esp. p. 48). This would happen, Taylor said, if the cost-price of each commodity, when found to equal the demand price, was accepted as adequate proof that the commodity ought to be produced (*ibid.*, p. 54). In other words 'value' would determine the scale and composition of production in the socialist society, since whatever was sold was actually purchased from wages alone. Though the competitive mechanism is not available, a trial-and-error process substitutes for it. The substitute should be more efficient because the errors would be rapidly corrected for the simple reason that the state, as the single producer, would have a range of information not available to the myriads of mutually hostile competitors under capitalism.

Lange (*ibid.*, pp. 57–1430) in his seminal effort of 1936–37, built upon this thesis, elaborating and refining it, and introducing the consideration of a number of important related issues. He recognised that while the equation $C=V=L^1$ would apply to products of

Department II (equal in value in aggregate to the size of wages paid in both Departments I and II), prices being determined by the ordinary interaction of supply and demand, the products of Department I would not have any market mechanisms to help fix their prices; and, therefore, production had to be organised here in accordance with 'accounting prices' (defined as 'indices of alternatives available, fixed for accounting purposes'—p. 73). These prices would be fixed by the 'Planning Board', it is true, but these too would be corrected by any commodity surpluses or shortages that would result from errors in price-fixation (pp. 81–2). If these were adjusted to the Taylorian consumer-goods' demand-governed prices, it would appear as if the accounting prices in Department I could become more and more accurate approximations to value, as the information at the hands of the state and its capacity to act on it improved.

Here, then, we have one reason why if a socialist economy did not use its tools efficiently, it would have difficulty in securing the feature of socialism, that in the beginning we had described at (b), namely, escaping the cycles of productive instability found in capitalism (See M. Dobb's critique (1939) of Lange in Dobb, *On Economic Theory and Socialism*, London, 1955, p. 43). Any failure in the accuracy of response to consumer demand in Department II and failure to mesh 'accounting' prices in Department I to the sale prices of Department II, could generate waste of productive resources comparable to or possibly even exceeding that of capitalism. The waste might not be revealed through a periodic crisis, because it could be concealed by further deviations of prices from commodity-values; but there would still be a real waste and setback to production, though the GNP, at formal prices or in terms of material products (inclusive of products not saleable at actual labour-time costs), may show growth.

There could be technical methods used to prevent such a dislocation. In the 1920s Soviet planners had devised a method of 'material balances'; this could be deemed an ancestor to Leontief's input-output analysis, to which Soviet planners turned rather late in the late 1950s. Linear programming and computerization could also have been of great assistance (Maurice Dobb (1960) in his *Capitalism, Development and Planning*, London, 1967, pp. 156–61; also Oscar Lange (1955–56), *Essays on Economic Planning*, Calcutta, 2nd ed., 1967, pp. 42–82). It can be argued that these devices should enable a socialist society to accommodate its sale-prices (Department II) and accounting prices (Department I) rapidly and closely enough to real values to rule out the maladjustments to demand that plague capitalistic production. The reason why these techniques were late in being used in the USSR, and then also not with adequate speed and efficiency, needs to be studied. But the cause of the failure of socialism in the realm of prices, and then of production, does not surely lie merely in the late use of these techniques. The latter can be no more than a symptom: it can

hardly be the cause. One major cause, it would seem, lay in the state's position as monopoly producer.

In the Taylor-Lange argument and Dobb's critique of Lange's position (1939: in *On Economic Theory and Socialism*, London, 1955, pp. 41-55), there was one basic assumption: Once the socialist state has determined the income of its citizens, then the commodity price of the products of Department II can be fixed in close approximation to value by simply letting it respond to demand generated by that income. But while working out the assumption, Lange found that his 'Planning Board' would have to ensure that output was expanded till the marginal cost equalled price. This directive would have to be imposed even 'if plants or whole industries are involved in losses', such imposition by decree being a substitute for what in free competition is imposed by influx or exodus of competing firms. The 'managers of production' here are just to be told firmly to eschew 'the aim of maximizing profit' (*On the Theory of Socialism*, pp. 75-79).

The very fact that the production managers have to be ordered to desist from maximising profits and to go on increasing output even if there is loss (on the analogy of capitalist competition), shows that, if such orders were not given, or, if given, were not enforced, there could be a different kind of result. One must remember that by our own very assumptions, the state under socialism is a monopoly firm, indeed, the most comprehensive one of its kind. Conventional economics tells us that for the monopolist, seeking to maximise his profit, the 'most profitable output will be that output at which his marginal costs and his marginal revenue are equal to one another' (Benham). This would be an output far less than the output in 'perfect competition', where it could go up to where the price equals marginal cost. Clearly, then, the natural tendency of a 'production manager' of the state would be to so restrict his production as to raise the profits to the maximum, rather than lower the price by increasing output. Such a situation immediately becomes obvious in socialist economies when prices are 'freed' for public enterprises: production falls and unemployment increases. These conditions became especially noticeable in the last years of the Soviet Union, when even the TIME panel of economists warned against indiscriminate removal of price-controls.

There is yet another possibility inherent in the monopoly position of the state as producer. What Lange said of the private producer, unchallenged by competition, could apply to it. Such a firm

'will introduce innovations only when the capital invested is amortised, or if the reduction of cost is so pronounced as to offset the devaluation of the capital already invested, i.e., if the average total cost becomes lower than the average prime cost of producing with the old machinery or equipment'. (*On the Economic Theory of Socialism*, p. 112).

It is rather surprising that, despite the comprehensive nature of his investigation of the mechanics of a socialist economy, Lange did not consider the possibility of retardation of technological innovation within it for the same reasons as apply to a monopoly-capitalist firm. It could, indeed, be argued that the technological stagnation in the Soviet and East European economies from the 1960s onwards, about which there were recurring complaints, was at least partly the result of the tendency here described, which would, unless counteracted, operate under any monopoly, whether capitalist or socialist.

These considerations should be sufficient to explain why the feature (c) of socialism, namely, a continuous enlargement of production, cannot be held to follow necessarily from our situation (a) or public ownership of all means of production. On the contrary, (c) could be assured only if the state's monopoly over supply was either eliminated or conducted under a regime-by-decree effective enough to curb its inherently restrictive tendencies.

III

Two distinct solutions (both not ultimately successful) to the problem we have been considering were therefore attempted in the USSR and other socialist countries of Eastern Europe.

There was first an attempt to eliminate monopoly, i.e. to restore the essence of market mechanism by eschewing a single state-firm, and creating competing publicly-owned or cooperative enterprises. The owner of each firm would be the state or the working members of the cooperative, so that there would be no (or very limited) private appropriation of surplus-value. The two well-known models of this attempt, if one ignores Lenin's NEP, have been Yugoslavia and Hungary. The difficulty in such a system is that if everything is left to be determined by competition, all the disadvantages of capitalism are bound to occur, generating attempts at monopoly, on the one hand, and anarchy of production, on the other. An economic crisis preceded the tragic political collapse of Yugoslavia; and the Hungarian economy too ran into a succession of difficulties till the final abandonment of the socialist structure (whereafter the difficulties for the people have, of course, not ceased). In the USSR under Gorbachov, the entire turn to the market ended in the disaster we are all familiar with, viz., a continuous downward swing in production (see K.K. Das Gupta, 'Reflections on the Last Decade of Existence of Soviet and East European Socialism', *Social Scientist*, No. 235 (December 1992), pp. 19-41, for a convenient survey from a theoretical point of view). In China since 1979-80 the market mechanism has been more successfully adopted, but, then, it has involved the acceptance not only of the market, but also of elements of capitalist production: We have here the continuous enlargement of a capitalist sector under the patronage of

the Communist Party, a capitalist sector making full use of the infrastructure and capital-goods industries created by socialism. China is, therefore, witnessing, despite its remarkable growth during the 1980s and thereafter, a recurrence by turn of a 'heating-up' and 'recession' of the economy very much in the manner of the economic upswings and downswings of capitalist countries.

The other possible way is what was adopted in the Soviet Union from the late 1920s, in China from the 1950s, and also in most east European countries during their early socialist period. This model is often called 'Stalinist' as if in deprecation. But one must understand from our discussion so far the compulsions that brought it about. Neither an escape from economic crises nor a continuously ascending rate of growth could be obtained by keying all economic activity to the market-mechanism, real in the case of products of Department II and hypothetical in that of the products of Department I. The experience of the NEP in the 1920s had been sufficient to show the limitations of a reliance on the market for capital accumulation. A continuous growth could only occur at that stage of soviet economic development, if Department I was expanded much more rapidly than Department II; but it could hardly be expected that 'surplus values' (from products of Department II) alone could sustain a forced growth of Department I. 'Tribute' from the peasantry frankly acknowledged to be a source of capital ('something in the nature of "tribute": Stalin (1928), *Works*, Moscow, 1954, XI, p. 197; cf. Dobb, *Capitalism, Development and Planning*, pp. 126-139) could not be extracted beyond a point. Ultimately, capital could be raised further only by restricting real wages (i.e. providing a much slower growth of Department II) through controlling supply and fixing prices, and diverting profits so obtained into Department I as capital. These measures, especially if the priority given to Department I, or Heavy Industry, was to be a constant rather than a temporary feature, meant that 'value', based on the pattern of consumer-demand for Department II products, could no longer be treated as 'the regulator' of investments, a fact Stalin strongly emphasized in 1952 (*Problems of Socialism*, pp. 27-29). Since the state would dictate both output and prices of goods of both Departments I and II, there would be no easily recognizable 'maximization of profit' through state monopoly either (though it might in effect take place).

It could be argued that such a deviation from strict conformity to 'value' was implicit in the classics, not only because commodity production was not envisaged for Socialism, as we have seen, but because the concept of labour-time as the regulator, was combined with the concept of planning. The 'apportionment' of the labour time of the whole community would be 'in accordance with a definite social plan [which] maintains the proper proportion between the different kinds of work to be done and the various wants of the community'. So Marx had said in *Capital*, I, p. 50, in a passage already quoted. And Engels had

spoken of 'the replacement of the anarchy of social production by a socially planned regulation of production in accordance with the needs both of the society as a whole and of each individual' (*Anti-Duhring*, p. 415), of 'social production upon a predetermined plan' (p. 423), and, finally, of 'arranging its [society's] plan of production in accordance with its means of production, which include, in particular, the labour forces' (p. 461). Surely, a 'social plan' would be meaningless if it were to follow merely the dictates of market-demand generated by the funds advanced for wages, such being the only possible available index of labour-time embodied in production. In other words, if Marx's 'proper proportions' of resource-allocation were to be achieved by a plan, it would be patently impossible to insist that all goods produced must exchange at ratios determined by the labour-time embodied in them. This means that 'accounting prices' must increasingly diverge from even hypothetical market-prices. Lange indeed allowed for such a possibility and opined that so long as such prices had 'internal consistency' and so long as a system of controlled distribution ('rationing') and restrictions on mobility of labour were enforced, the system could work (*Economic Theory of Socialism*, pp. 90-94). Indeed, the Soviet experience shows that it could work well for a long time. Plans based on centralised allocations and accounting prices helped to industrialise Russia, China, Poland and other countries under the banner of socialism. To that extent they have helped to change the face of the world.

The major difficulty, to Lange, was political: citizens would be dissatisfied with rationing and control (pp. 95-97). However, it has turned out that there are also economic weaknesses inherent in the system, which must tend to undermine it in the long run, unless counteracting measures are constantly taken.

First of all, without a scale of consumers' preference being available for fixing prices, the internal consistency among accounting prices would tend to be lost. Stalin himself provided one example: it was seriously suggested by the economic authorities in the USSR that prices of wheat, cotton and baked bread be made equal. Had the Soviet leadership approved of this, 'we would have found ourselves without cotton' (Stalin, *Problems of Socialism*, pp. 24-25). Many other instances of such 'inconsistencies' arising out of 'arbitrary prices' were brought up in discussions on East European socialist economies in the late 1950s and 1960s, notably the common phenomena of high prices set for the products of light industry and low for those of heavy industry (cf. Dobb, *Capitalism, Development and Planning*, pp. 149-55, 167-207). Clearly, if there are such internal inconsistencies in the price-system, bottlenecks and waste in production cannot be avoided.

But there is a major problem too underlying the blanket priority given to Department I. Stalin spoke as if this was to be a permanent feature under socialism. The so-called 'law of balanced (proportionate)

development', a term used perhaps with an eye to Marx's passage in *Capital*, I, p. 50, above quoted, seems to consist essentially in assuring this priority, 'because the national economy cannot be continuously expanded without giving primacy to the production of means of production' (Stalin, *Problems of Socialism*, p. 28). By 1965 so sympathetic an analyst of Soviet economy as Dobb was qualifying this proposition on the basis of a largely theoretical discussion, though he continued to acknowledge that higher investment in heavy industry had served as a crucial lever of economic expansion (Dobb, *op. cit.*, pp. 107-23). Much earlier, Mao Tse-tung in his speech 'Ten Major Relationships' (April 1956), while accepting the precedence of Department I, criticised nevertheless the 'lopsided stress on heavy industry to the neglect of agriculture and light industry [which] results in a shortage of goods on the market and an unstable currency', a phenomenon which he explicitly recognised as existing in 'the Soviet Union and a number of East European countries' (*Selected Works*, V, Peking, 1977, pp. 285-6).

There should be no doubt that investment in Department I would be largely for 'its own sake', if production and accounting prices were so set that consumer-demand would not have any direct role in governing supply and prices. Preobrazhensky had remarked, amidst the heady Soviet discussions of the 1920s, that industrial expansion did not need a market outside its own sphere; its own subsequent expansion would absorb, by way of 'productive consumption', the products of the present phase of expansion (cited by Dobb, *op. cit.*, pp. 134-5). The demand generated for the supply of consumer-goods, i.e. needs of machinery for Department II, may, then, become irrelevant to the enlargement of Department I. But, if so, there would not only be recurring consumer goods shortages in the socialist economies of which Mao Tse-tung spoke and of which we now know so well, but there would also be an enormous misdirection in the development of the capital-goods and heavy industry (Department I), so that its rate of expansion calculated in formal terms would have to be much devalued in terms of ultimate effectiveness in producing consumer-goods, which must after all be the real, ultimate purpose of socialist planning.

We see, then, that socialist states have had two policy options: (i) to create competing public-owned or cooperative firms to break down monopoly and establish competition—there would then be no planning and the anarchy of capitalist production would be duplicated; or (ii) to establish planned production in order to secure steady industrial and economic expansion, without any periodic setbacks. The success of option (i) is debatable; option (ii) had remarkable success for a fairly long period, but patently broke down in the 'longer-run'.

In the rest of our discussion we will be concerned with the question why option (ii) has not worked after so much experience and whether it could in fact work. It is proposed to argue that any advance of a

socialist society is only possible if this option is pursued, and that this can indeed be done if there is a full recognition of the main contradictions of socialist societies and a continuous effort is made toward their resolution.

IV

One possible reason why adoption of option (ii) might ultimately lead to a breakdown was the development of what Lange called 'bureaucratic degeneration'. In our preceding discussion we had followed the assumption that the socialist state 'has no particular interests of its own, as against those of the citizens at large'. Now we must give up the assumption to see what happens if the state, or those who control its apparatus, including planning, come to have interests that are different from those of its citizens. The 'bureaucrats' may

'impose a preference scale of their own for the guidance of production, (though) they have to camouflage the inconsistency of their preference scale with that of citizens by resorting to rationing in the sphere of producers' goods and of resources' (Lange, *On the Economic Theory of Socialism*, p. 96 and note).

Lange could have gone further and argued that the 'bureaucrats' might impose a 'preference-scale' that served them as a group (e.g. disproportionately high salaries, perquisites, etc., for themselves, constituting an increasing share of the wages fund; investments in firms and sectors of their own 'fiefs') rather than the society at large; and, in that case, the common citizen, as consumer, would find that the rate of increase in real wages lagged more and more behind the rate of increase of production in Department I, and he might ultimately even face an absolute decline in his real wages. On the other hand, the 'bureaucrats', given their vested interests, would resist any change in the imposed 'scale of preferences' unless the change favoured their interests. Consumer-goods shortages and resource wastage would therefore continue to grow till the economy ultimately reached a point of crisis.

Lange alluded in a footnote (on p. 96) to the possibility that this kind of bureaucratization might be happening in the Soviet Union. He was writing in 1936-37. In 1954 came Milovan Djilas's concept of the 'New Class', first in articles and then in the book of this title. In 1961-62, Mao Tse-tung warned against a situation where 'the state is to be managed by only a section of the people, that the people can enjoy labour rights, education rights, social insurance, etc., only under the management of certain people' ('Reading Notes on the Soviet Text Political Economy' in *Critique of Soviet Economics*, New York, 1977, p. 61); and he went on to consider the problem of 'vested interest groups', whose self-interest would hinder change (p. 63). A criticism was also

recorded of the Soviet system of 'one-man management' (or 'single leadership') principle for enterprises, hallowed by Lenin's own sanction (p. 86). In 1964, in the Chinese controversy with the Soviet Communist Party, the notion of 'a privileged stratum', fattening on socialism and controlling the socialist state, was first articulated with a considerable amount of factual presentation. This 'stratum' was seen as essentially *bourgeois* ('new bourgeois element'), whose interests could finally lead to a 'capitalist restoration' in the USSR (*People's Daily* and *Red Flag* joint editorial: 'On Khrushchov's Phoney Communism and its Historical Lessons for the World', *Global Digest*, Hongkong, I (12), 1964, pp. 2-49). The situation could in time apply to China as well. If 'the cadres were to be corrupted and demoralised, then it would not take long, perhaps only several years or a decade, or several decades, at most, before a counter-revolutionary restoration on a national scale inevitably occurred and the whole of China would change its colour' (Mao Tse-Tung's comment, May 1963, quoted in the editorial, op. cit., p. 44). The passage was to be quoted again and again during the Cultural Revolution to justify the campaign against the alleged 'capitalist-roaders' which began in 1966. But Mao's words still stand as words of remarkable premonition.

Who controls the socialist state (and how) is the crucial question in determining the destiny of socialism. When socialism is established there is no blind economic 'law' which would take socialist society in one particular direction, that of advance. There are policy alternatives at every step; and the choice can always be coloured by group, sectional, and (ultimately) the choice-makers' own, interest as distinct from, and therefore, possibly opposed to, the interest of the people at large. Since, as we have seen, wages continue under socialism, and so does the rendering of surplus-labour, there must arise a growing sense of alienation of the worker from the socialist system under conditions where crucial economic decisions are taken without reference to him. For a long time the workers' recognition of the benefits rendered by the social services created by socialism would continue; but, ultimately, as the socialist economy atrophied under the direction of vested interests, the workers' attitude would change to hostility or indifference. The socialist structure would collapse under the internal economic and political strain, aided undoubtedly by the external capitalist environment which continuously generates Imperialism. The collapsing socialist economy now finds in the managers of yesterday the captains of capitalist industry of today. A kind of bureaucratic *mafia* capitalism takes over. This can be an acceptable description of how socialism founded upon the achievements of the Bolshevik Revolution, could be laid to rest in the USSR by a process of peaceful subversion, within a matter of two years (1990-92). The subsequent mutual slaughter in the nationalities, the galloping unemployment, the disappearance of social services, and, at last, the dispersal of the

Russian Supreme Soviet by use of artillery have announced the dawn of the full-fledged capitalist restoration and the onset of a characteristic bourgeois dictatorship.

How far the founders of Marxism could have foreseen this is, of course, questionable. But they realised that the socialist state could not and must not be a 'free state', i.e. free of control by the working class. Marx said:

'It is by no means the aim of the workers, who have rid themselves of the mentality of humble subjects, to set the state free . . . Freedom (rather) consists in converting the state from an organ superimposed upon society into one completely subordinate to it' ('Critique of the Gotha Programme', Marx-Engels, *Selected Works*, II, p. 29).

In other words, the state could not be allowed to have an apparatus of power and set of interests, different from those of society at large. Such a state under socialism had therefore to be rigorously controlled by the wage-workers as a class. This explains the classic pronouncement which follows a little after the above passage:

'Between capitalist and communist society lies the period of the revolutionary transformation of the one into the other. There corresponds to it also a political transition period in which the state can be nothing but the revolutionary dictatorship of the proletariat' (Ibid, p. 30).

The term 'dictatorship of the proletariat' had been used by Marx as early as 1852 (letter to Joseph Weydemeyer: Marx-Engels, *Selected Correspondence*, Moscow, 1956, p. 86), but the concept of 'the political supremacy' of the proletariat, and its being the ruling class under socialism, is present in the *Communist Manifesto*, 1848.

In much of political journalism of the Communist Movement the word mentally emphasized was 'dictatorship'. Persecution of the opponents of socialism, as well as dissidents within the Soviet Communist Party, the repressions of kulaks, the organised disappearances and secret executions of the 1930s and 1940s, were all justified as, at worst, the excesses of a necessary dictatorship. So also the later continuing restrictions on the press, job-transfer and simple travel, lasting in socialist societies until the 1980s. Any 'left' criticism of the Establishment was perhaps even more strictly forbidden than the so-called 'Human Rights' advocacy of the pro-Western groups.

What was forgotten here was the 'proletarian' part of the formula of 'Proletarian Dictatorship'. How did the wage-workers, as a class, decide for the state what total wage-bill, with what grades and composition, what social service allocation, and what capital replacement and expansion funds it should provide for? A voice in enterprise-management, though important (and in practice rather snuffed out under One-Man Management), was hardly relevant to the

heart of economic planning. One slogan attributed to Lenin was 'Communism is Soviet power plus electrification'. In other words, all actual power in the state as a whole should be exercised by the direct representatives of workers, to lend substance to the concept of 'Proletarian Dictatorship'.

But, unfortunately, Lenin himself more than once spoke as if the Dictatorship of the Proletariat meant 'Yes, the dictatorship of one Party' (quotations in E.H. Carr, *The Bolshevik Revolution*, Pelican Books, 1966, I, p. 236). Stalin (1924) questioned the formula in this form but sought to replace it with another which hardly made much of a difference: 'The Soviets implement the dictatorship, while the Party guides the Soviets' (*Works*, VI, p. 270). Lenin had in mind a Party of 'professional revolutionaries', who, forged in a selfless revolutionary struggle, would bring under control or replace the self-serving bureaucracy bequeathed by the bourgeois regime (e.g. Lenin, *Selected Works*, II, Moscow, 1947, pp. 449-51). But as the original revolutionary fervour cooled, there would be an inevitable bureaucratization of the Party, the higher echelons of the Party and State would coalesce and a ruling stratum might emerge, controlling the Party itself.

It is, therefore, obvious that the almost juridical insistence on 'the leading role of the Communist Party' in socialist countries, could become a cover for the replacement of the working class as the mainspring of power by a privileged group, a proto-neo-bourgeoisie. B.T. Ranadive correctly pointed out that the leading role of the Communist Party cannot be established by a provision in the Constitution, as was done in the Brezhnev-era versions of the Soviet Union and Republican constitutions (1976, 1977) but by its actual work. This means that there should not only be full inner-party democracy, but the Communist Party (and there should be the possibility of more than one Communist Party under Socialism to offer policy-choices to the proletariat) should function amidst a plurality of parties. Two formulas developed by Mao Tse-tung, viz. the 'mass-line' (i.e. constant systematisation of ideas present among the masses and putting back the systematised ideas among the masses again) and the 'long term coexistence and mutual supervision' of multiple parties are significant strategic principles. Socialist Cuba's success in keeping popular support by its version of a 'mass line' is also worthy of note. If there is the possibility of a re-emergence of bourgeois ideas, these should surely be met by an ideological, and not a police, response. One recalls here Mao Tse-tung's own defence (1957) of his slogan, 'Let a hundred flowers blossom, let a hundred schools of thought contend', notably the statement that 'Marxism can only develop through (ideological) struggle' ('Correct Handling of Contradictions among the People', *Selected Works*, V, pp. 408-9). Five years later (1962) he stated that 'Both within and outside the Party there is advantage in allowing the minority to reserve their opinion', for—'In the beginning truth is not in

the hands of the majority of the people, but in the hands of a minority' ('On Democratic Centralism' in *Mao Tse-tung Unrehearsed*, ed. Stuart Schram, Penguin Books, 1974, p. 183). Only in such conditions would it be possible for proletarian democracy to function, put into effect new measures, and so attain the ability of restricting, if not entirely eliminating, the emergence of vested interests and privileged groups based on the state apparatus.

If such success could be achieved, it would be possible to see how a really 'balanced' planned resource-allocation could be made by keeping Department II production keyed to consumer (i.e. wage-earner's) demand, on the one hand, and transferring surplus revenues to Department I to create industries which (after allowing for legitimate defence expenditure) would really develop particular sectors of Department II so as to increase supply of consumer goods. Any trend towards restrictive monopolist practices would be prevented because the wage receivers would immediately see that these would restrict and diminish their own real wages. Such control may also ensure the rise of a new ethic in the leading stratum, who 'would in time think so differently that they would no more lay claim to profit [for themselves] than a statesman or a general would wish to keep the spoils of victory wholly or partly for himself' (Schumpeter, *The Theory of Economic Development*, p. 145, discussing the presence of 'profit' in a communist society). Socialist democracy is, therefore, not only good in itself, but is also essential for the economic success of socialist planning.

Socialist democracy can, then, be seen, in its political form, as a way of resolving the contradiction between the dictatorship of the proletariat (in its classical sense) and the state as an autonomous institution (the 'free state' of the Lassalleans). For a long time the notion that there could be social contradictions inherent in socialism was hardly ever considered seriously by Marxists. But now there is likely to be little dispute over what, according to Lange (1957), 'it has been the merit of Mao Tse-tung to have recalled with emphasis'—that 'socialist society too develops through contradictions'. ('Political Economy of Socialism' in *Problems of Political Economy of Socialism*, ed. Oscar Lange, New Delhi, 1962, p. 3.)

The most important of these contradictions that it has to set itself to resolve, which certainly goes beyond, though it is also closely connected with, the one we have just outlined, is what Marx identified as 'the antithesis between mental and physical labour' ('Critique of the Gotha Programme', Marx-Engels, *Selected Works*, II, p. 23). The qualitative difference in the two kinds of labour is important, and when Marx spoke of wages being paid according to labour, he underlined the fact that 'labour to serve as a measure must be defined by its duration or intensity' (*ibid.*, p. 24). The 'duration' that an exercise of mental labour involves (the 'duration' of education or

training to be also considered here), and its 'intensity' (i.e. its qualitative difference from manual labour) are hard to determine in terms of labour-time of ordinary labour; and any fixation of set grades implies an arbitrary decision. On the other hand, the gradations cannot be left to supply-and-demand factors, since, then, the number of intellectuals and mental workers being limited, their salaries or wages would naturally have a rent-element built into them, and a 'privileged group' would immediately form (cf. Lange, *Economic Theory of Socialism*, p. 102 note). While it will be wrong to put in one category all kinds of 'mental labour', from that of a school-teacher and supervisory technician to that of the factory manager and administrative bureaucrat, the fact remains that the higher ranks of intellectuals socially merge with those of the higher administrative and managerial personnel. Under socialism the contradiction between manual and mental labour does not remain confined to a conflict of interest over shares in the wages fund; it merges into the contradiction between the proletariat and the state-apparatus. In such circumstances, it is hard to accept Stalin's view that the contradiction between manual and mental labour is a characteristic feature of capitalism and 'has disappeared in our present socialist system', a statement made on the basis of no deeper analysis than the finding, ex-cathedra, that since there was no longer any capitalist exploitation, 'today, the physical workers and the managerial personnel are not enemies, but comrades and friends, members of a single collective body of producers' (*Problems of Socialism*, p. 31). He, however, admitted that this was a 'distinction', which needed to be eliminated, mainly by raising 'the cultural and technical level of the workers' (pp. 32-33).

As we have seen, there are firm economic and social grounds for the contradiction between manual and mental labour under socialism, even if one disregards the very powerful bourgeois (and pre-bourgeois) cultural and ideological heritage of the intelligentsia within socialist societies. Lenin was later on to emphasize repeatedly the latter problem, but in 1917, he also considered it essential that an egalitarian system be introduced in wage-payments to bring 'officials' to the same level as workers—

'All officials, without exception, elected and subject to recall at any time, their salaries reduced to the level of ordinary workmen's wages' (*State and Revolution*, *Selected Works*, II, p. 170).

Such a concept proved unworkable in practice, not the least because Lenin's notion that any 'literate person' could carry out any function of government, since such functions 'can be reduced to simple operations of registration, filing and checking' was surely premature, to say the least. There is no doubt that if a socialist economy wishes to make full use of its intelligentsia it has to reward its members for work distinctly above the levels of manual labour of corresponding duration. Restraint

must of course, be exercised in promoting such wage-differentiation, for, as we have seen, any 'rent' element in the wages of the intelligentsia or concealed privileges have to be avoided.

The Chinese practice of forcing a combination of mental with manual labour, is seen as a measure of breaking the social barrier between the two kinds of labour as well as overcoming the city-country contradiction (for which below) (see, e.g., Mao Tse-tung (1967), *Mao Tse-Tung Unrehearsed*, pp. 207-8, 235-6). Such a practice must be undertaken on a limited scale in terms of time for each individual because when undertaken on so enormous a scale as during the Cultural Revolution, 1966-76, it meant a great deal of waste of scientific and intellectual talent, and ultimately led to the reverse of what it was designed to overcome: the alienation of the intellectuals and a sharper cleavage between them and the socialist regime.

There are other possible measures too. The promotion of literacy, developing and expanding school and university education, running worker-education programmes and instituting preferential access to higher education for workers' children, are some of the measures that have been commonly adopted in Socialist countries. The efficacy of these in resolving the mental-manual contradiction is considerable. But ultimately, perhaps, it is in the ideological sphere that the resolution is to be sought for. Does Marxism remain a living, challenged and challenging school of thought, attuned to reality and practice, and by internal debate helping to decide policy choices or does it become a mere theology, providing from its store of terminology and quotations, the appropriate rationalisation for any official decision? In the latter case, one can have a mercenary intelligentsia certainly, but not a revolutionary or Socialist one.

The second major contradiction under Socialism is the one between town and country, which essentially revolves round the problem of the peasantry. Here, we must first consider another modification of the assumptions on whose basis we have been discussing the functioning of a socialist system. If the peasants are allowed to be independent producers, they, of course, would not form part of the body of wage-receivers, and their aggregate income could not be determined by the State through the wage-fund as in the industrial sector. If they were pressed or persuaded into forming producer-cooperatives (collective farms, communes) they would still remain outside the national wage-system, though their income could conceivably be determined with better approximation by the State. It is only if they became wage-workers in State farms, that is, ceased to be peasants, that their separate economic status would end. Engels, who reflected on this question as early as 1847, thought that 'the antagonism between town and country' would disappear when the peasant, through education and 'all-around [cultural] development', broke the bonds of the age-old 'division of labour' (which kept the peasants apart from industrial

workers) and thereby achieved full mobility between town and country. The 'two different classes' of workers and peasants would then become one ('Principles of Communism', in Marx-Engels-Lenin, *On Communist Society*, Moscow, 1978, 19; cf. also *Anti-Duhring*, pp. 434 ff). The cultural divide would also be bridged, and in *Anti-Duhring*, Engels gave an ecological colour as well to the elimination of this contradiction:

'The present poisoning of the air, water and land can only be put an end to by the fusion of town and country . . .' (p. 441).

Stalin argued that in Socialism this contradiction no longer remained, though 'the distinction' persisted. This was because between workers and peasants there was no longer any divergence of interest. 'On the contrary, their interests lie along a common line . . .' (*Problems of Socialism*, p. 30). But the 'identity of interest' was by no means characteristic of Soviet socialist construction. If in 1924 Preobrazhensky had been rather tactless in insisting that there had to be 'primitive socialist accumulation' at the cost of 'small-scale production' of the peasant (E.H. Carr, *Socialism in One Country*, Penguin Books, 1970, Vol.I, p. 220), then, as we have seen, Stalin too admitted in 1928 that the peasants had been put under something of a 'tribute' for Socialist industrial construction (*Works*, XI, p. 197). The 'tribute' intensified after 1928 with the drive for collectivization under which the elimination of kulaks and the annexation of their lands to the collective farms, could be read as measures designed to obtain acceptance of the new system by the middle and poor peasants though the system itself was promoted to pump marketable, as well as hitherto non-marketed, surplus from the countryside (Cf. M. Dobb, *Soviet Economic Development since 1917*, London, 1951, pp. 208–29; for a less sympathetic, but detailed study, see M. Levin, *Russian Peasants and Soviet Power, a Study of Collectivization*, London, 1968). The tribute was the more heavily felt, since the way collective farming was imposed resulted in enormous wastage of assets, notably, horses, all characteristically attributed to sabotage by the kulaks (Dobb, op. cit., p. 246. On p. 229, drawing a balance-sheet of collectivization, Dobb admits: 'The birth pangs were sharp, the mid-wifery rough'). It is hard now to disagree with Mao Tse-tung's criticism (made as early as 1956) that 'the Soviet Union has adopted measures which squeeze the peasants very hard. It takes away too much from the peasants at too low a price through its system of so-called obligatory sales' ('Ten Major Relationships', *Selected Works*, VI, p. 291). The Chinese Revolution, which was essentially a peasant revolution in its new-democratic stage, indicated the possibility of a different approach to the peasantry altogether. Here the construction of the agricultural cooperatives and then the People's Communes during the 1950s occurred through internal peasant upsurges, with considerable care exercised in

both restricting and accommodating the 'rich peasant' (and even the ex-landlord), so that the waste in assets was kept to the minimum. The Great Leap Forward, 1958-60, despite the difficulties it faced, had this valid essential principle that by letting the communes accumulate capital to start 'back-yard' industries, it kept part of the savings of the Communes for rural industrial investment. In the Cultural Revolution there came a forced rural shift of social services and industry to the countryside (on shift of medical services see *Mao Tsetung Unrehearsed*, pp. 232-3). The urban population was reduced from 24.7% of the total in 1960 to 17.4% in 1970 (G.E. Ebanks and Chaoze Chang, *Asia-Pacific Population Journal*, 5 (3), p. 32). It thus seemed as if the Chinese were fulfilling Engels's admonition to take industry away from the great cities (*Anti-Duhring*, p. 441; cf. Mao Tsetung, *Critique of Soviet Economics*, p. 102). Clearly, one of the great strengths of the Chinese Communist Party has been its ability to maintain a proper balance between town and country and look after the interests of the peasantry, while trying to accumulate capital for industry. It is not, however, clear if this success (its last phase being the redistribution of commune land among peasants under the Production Responsibility System begun in 1978) can be as well sustained under the present surge of 'Commodity Socialism'.

There is a third important contradiction, an external one for each socialist economy: contradictions with other socialist nations. But consideration of this will take us very far from our present study; and I do not also believe that socialism in USSR came to an end principally because of a 'revolt of nations'. The national conflicts seem to have been a consequence rather than a cause of the socialist break-down.

The constant resolution of the internal contradictions of Socialism we have been discussing can probably occur only through a kind of Uninterrupted Revolution, a movement in waves, out of a process of trial-and-error on a historical scale. It is true that in a socialist society, since there is no class-exploitation, there should in theory be no class struggle. But in practice, with the enlargement of the bureaucratic apparatus and the 'privileged stratum', there still remains ground for a New Class, a potential neo-bourgeoisie, to arise. When such a situation occurs, the contradictions (a) between the proletariat and the State, (b) between mental and manual labour, and (c) between town and country, may all take up the character of separate or multi-faceted class-struggles. Even when the Soviet Communist Party went on saying that in the 'State of the Whole People' there could be no class struggle, the constant effort of the privileged strata to transform the USSR into a group of capitalist 'free-enterprise' countries was nothing short of a class-offensive against an ideologically disarmed and economically 'alienated' proletariat. The successfully contrived capitalist restorations have shown that it was not correct to insist that Socialism once established

would necessarily be free of class-struggles. The point to emphasize, however, is, as the historical experience of the socialist regimes so clearly teaches us, that the struggle has to be conducted, from the side of the socialist forces, not by a blind (often hugely counter-productive) use of police methods, but essentially by ideological persuasion and popular mobilization. This does not, of course, mean that faced with what Marx called a 'Slave-owners' rebellion', the socialist state should forget how to use force.

The march to the goal of a state of equality and abundance of goods is still the only possible goal for mankind, a vision shown to be realisable by the continuous expansion of production ever since the Industrial Revolution. Socialism is Humanity's first conscious step in 'the ascent from the realm of necessity to the realm of freedom' of which both Marx and Engels spoke. The present collapse of socialism in the USSR and Eastern Europe is an undoubted setback, a great ebb of the tide. What the collapse has exposed to the eye has removed several of our illusions, but also retold us several essential truths. This should be of help to us in the rallying of forces, once again, against world capitalism and in the global revival and reinforcement of the struggle for socialism—for 'the realm of freedom' beckons to us brighter than ever.

NOTES AND REFERENCES

1. It is important, however, to recognise that in his essay Lange carefully avoided any discussion in terms of the Labour theory of Value, so that we should rather reframe the equation as $C=V[L]$ to suit his position in the essay in question.