SOCIALIST DILEMMAS
SOCIALIST DILEMMAS
East and West

Edited by
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Introduction

During the decade of the 1970s the political economy of the world underwent dramatic changes. The previously uncontested supremacy of the United States suddenly receded in the aftermath of the Vietnam fiasco; and in the West a more pluralistic, and hence less stable and predictable, international relations emerged in its place. The optimistic notes of affluence and economic growth could no longer be sustained as, on the morrow of the demise of Bretton Woods, world trade wavered under the influence of exchange volatility, erratic capital flows, and constant threats of protectionism. Twice hit by oil crises, moreover, the industrialized nations of the West floundered helplessly in the grip of severe stagflation. This time Keynesian fiscal remedies did not work wonders. The way out was a costly and frustrating zero-sum process, bound to intensify social conflicts. Thus ended the happy marriage of the welfare state and free enterprise; the half-socialist and half-capitalist "mixed economy" no longer held together. In the 1980s neoconservatism arrived to signal the end of the grand Keynesian dream.

No less problematic was the political and economic climate in the East. Even with the Sino-Soviet rift, the communist nations of the Eastern Bloc had high hopes, during the 1960s, of eventually winning the economic race with the "capitalist" West. But this illusion was shattered in the 1970s. Frequent crop failures hampered planned advances in industrial production. Productivity remained low and mechanization lagged. The Brezhnev-era effort to introduce Western capital and technology in order to strengthen the industrial base had only limited success, as the combined balance of payments deficit of the CMEA countries vis-à-vis the West steadily worsened, despite Soviet exports of natural gas and gold. By the end of the decade the Soviet Union found its energy production inadequate to meet the increasing need of its CMEA neighbors. The burden of foreign debt and energy shortage led many of them, especially Poland, to the brink of economic collapse. The malfunctioning and stagnation of the command economy, long held captive to bureaucratic control and political patronage, could no longer be easily dismissed as temporary aberrations. As the
1980s dawned it became clear that mere decentralization, marketization, and
greater discretion on the part of socialist enterprises would not solve the prob-
lem. A much more radical, if proportionately more perilous, change, involving
nothing less than alternative forms of ownership of the means of production, had
to be faced. The dream of the "victory of socialism" also faded away, leaving a
sense of despondency and frustration.

Thus in the second half of the 1980s neither the West nor the East was as
sanguine or monolithic as both had been two decades before. With both in the
grip of political and economic uncertainties, the ideological confrontation
seemed to lose its sharp edge. Furthermore, the urgency of concern over the
quickly deteriorating living environment began to be felt just as acutely in the
East as in the West. When American and Soviet scientists found themselves in
substantial agreement over the dreaded scenario of nuclear winter, only the most
fanatical continued to be moved by the false doctrine of nuclear deterrence. The
crippling cost of military preparedness could no longer be imposed on either
populace. Not confrontation, but cooperation between the two superpowers
claimed priority on the global agenda.

Thus the political economy of the world has changed. No longer are the
accepted dogmas and political ideologies of the past valid or convincing. The
presuppositions of the debate on comparative economic systems are now in need
of fundamental revision.

It was in this perspective that the Political Economy Workshop at York
University featured a series of lectures on socialism in its 1988 session. About
a dozen presentations were made by York University scholars and invited
guest speakers covering a wide range of issues related to both the idea and the
reality of socialism. The organizers were pleasantly surprised to find that there
was a fair degree of unanimity and consensus, rather than a sharp contrast of
opinions, over the past record and present status of socialism. Everyone agreed
that the East European experiments were disappointing and that a radical new
departure was required if they hope to be plausible alternatives to the Western-
type economies. It was also generally agreed that the social democracies of the
West had made too many politically expedient concessions to big business.
They abandoned much of their original socialism and reconciled themselves
with the private sector, their former enemy, to the extent of embracing the
market ideology which their forebears had strictly enjoined them to oppose. In
other words, socialism, whether in its "actually existing" version in the East,
or as a "viable alternative" in the West, never really amounted to what had
originally been claimed for it. This much was agreed without question. Differ-
ences arose only over what to make of this sobering fact, and what one might
now expect the future of socialism to be.

All of the articles assembled in this volume are based on presentations in the
workshop. The first four, which reflect mainly the East European experiences of
"actually existing" (or "real") socialism, are ordered from the relatively more
philosophical and theoretical to the relatively more empirical and factual.

The Pokorny paper begins with reflections on the fundamental distinction between "political community" and "civil society." After critically examining Marxism’s lopsided emphasis on the latter to the exclusion of the former, the author comes to the important conclusion that "socialism can regain a meaning only if it rejects the positivism hidden in the ‘administration of things.’ " By the "administration of things” the author means the planning of economic life governed by "the technocratic rule, rational only to itself." The paper intends to demonstrate that the neglect of "the realm of ethics as to content and of politics as to process” was responsible for the failed socialist experiments of the East.

The Brus paper reexamines the Marxist and Schumpeterian presupposition of an inevitable "march into socialism" in light of empirical evidence after World War II, and repudiates it. This thesis that capitalism inevitably develops out of itself into socialism was, in fact, rejected by James Burnham as long ago as 1941, but economists have generally chosen to ignore the question. This paper may constitute the first open admission of this conclusion by an Eastern economist with impeccable credentials, in light of what transpired both in the West and in the East in the post–World War II decades.

The Kowalik paper examines the neoliberal call in Poland for the privatization of the state sector, which he judges as having "little chance of succeeding for the time being." Instead the author suggests a transformation of most of the state sector into a socialized sector based on a variety of forms of intermediate group ownership of the means of production (self-managed, cooperative, municipally owned, etc.), warning against "dualistic" thinking in terms of either state or individual-private ownership.

The Flakierski paper then focuses on the "relationship between pay differentials and the socioeconomic characteristics of the self-management system in Yugoslavia.” It offers a detailed empirical study of the Yugoslav distributional pattern, which is "characterized by low levels of skill differentials and high levels of interbranch and interfirm differentials," concluding that the latter go against "the sacred socialist principle of distribution according to work.”

The paper by Laski makes, at the most empirical level, a comparison of economic performance in Poland and Spain, deliberately choosing two average developed countries, each belonging to a different bloc, instead of the two superpowers which represent them or the two blocs as wholes. The paper breaks new ground in studies in comparative economic systems. The conclusion that Poland does not compare favorably even with Spain seems to clinch the argument that the "march into socialism" was an illusion.

The next three articles are based on Western experiences and conceptions of socialism. This time they are arranged from the relatively more empirical and realistic to the relatively more theoretical and speculative.

Thus the Panitch paper addresses the present state of social democracy in the West, focusing especially on recent developments in the British Labour Party. It
is not so much the absence of "economics of feasible socialism," the author argues, but rather the lack of "politics of feasible socialism" that explains the crisis of the Left in the West. Conventional social democratic policies are not enough to overcome the crisis of the welfare state supported by Keynesian economics. After examining various attempts at transcending such policies, the author concludes that the inability of the party and the state to democratize their own structures lay at the root of past failures.

The Lefebre paper asks the following fundamental questions: Is it at all possible to transform a semi-developed country such as Greece, tightly locked into the international capitalist system, into a socialist society? Can such a transformation be accomplished by democratic means? The Greek experience does not seem to have provided an answer. Although PASOK, the Greek Socialist Party, can claim to have been successful in some areas, it has distinctly failed to render the economy dynamic. While sacrifices were needed in the short run, the government did not provide an adequate social-support system to mitigate their impact. It did not create the necessary decentralized institutions and did not eliminate corruption. The political costs were high.

The Sekine paper is in two parts. In the first half it criticizes the conventional notion of socialism with the claim that it has inherited from capitalism the abstract-universal way of thinking as reflected in modernism, scientism, industrialism, and economism, while neglecting the aspect of humans as concrete species-beings. In the second half it outlines an economic organization upon which a proper socialist society might be built. Although this part is frankly exploratory and somewhat utopian, its argument is supported by a *tableau économique* in three sectors which explains the circular flows of two types of goods and two types of services. The author writes in the Japanese (rather than Western) tradition of Marxism, strongly influenced by Kozo Uno and Yoshiro Tamanoi, whose works are not well known in the West. Of the two critiques of capitalism by Marx—one that it is unjust and the other that it is inverted and inhuman—Uno emphasizes the latter, and thus readily connects with Tamanoi's radical call for a new economic paradigm which integrally allows for the thermodynamic implication of economic life. Sekine also absorbs much, through Tamanoi, from the seminal works of Karl Polanyi.

The editors regret that some important contributions to the workshop (in particular, papers dealing with Third World development strategies and with women's perspectives) could not be made ready for inclusion in this volume. These are conspicuous gaps. But the comprehensiveness of coverage is not necessarily the virtue that the editors sought as the first priority. They are satisfied with the fact that many, if not all, of the new dimensions of socialism are touched on by one or more authors in this volume, and that all available contributions are of a quality and originality to make the publication of this collection worthwhile.

Finally, it devolves on the editors to thank certain individuals whose selfless cooperation made their task far easier than it would otherwise have been. They
especially thank Dr. Colin Duncan of Queens University, Mr. Brian MacLean of Dalhousie University, and Mr. Kenneth Stokes of the International University of Japan for kindly editing many of the articles collected here. This was an enormous task given that most of the eight contributors are non-native English speakers. The editors also wish to thank Ms. Pat Cates and her team in the Secretarial Services of the Faculty of Arts, York University, for their patience in preparing many versions of the typescript of this book.

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SOCIALIST DILEMMAS
Socialism

Reflections on an Idea

DUŠANPokorný

If one were to write a history of socialism in a hundred words or less, it might well read like this: "Socialism" first appeared as a demand of justice on men's free will—and nothing came of it. Then the idea became a claim of history on history: a claim of historical laws, acting through the political movement of an oppressed social class, on history as a flow of events. This time, there were results; but they did not inaugurate justice or freedom. "Socialism" became a huge machine efficient in producing, apart from weapons, mainly more unrepen­
tant oppression.

Now, the voices demanding reform are stronger than ever before. Yet both the content and the fate of the endeavor remain uncertain. Much will no doubt depend upon how the malady will be diagnosed and what framework will under­lie the attempted remedy.

The discussion to follow is intended to contribute to the testing of this vast ground.

I

To begin at the beginning, we have to go back to the distinction between politi­cal community and civil society—or rather to the prehistory of that distinction. That is, we have to return to the interpretations and reinterpretations of Aristotle's statement that man is a political animal.

In the philosopher's own mind, the polis seems to have been for men what nature was for other beings: it was presented as the language-based, culture­dominated locus of their existence.1 It was the distinguishing feature of human

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language to "declare what [was] just and what [was] unjust,"² while culture demanded that man’s life be guided by customs and laws as expressions of dispassionate reason.³ Of course, this reason was not accessible to men directly or immediately. But the mediator between "reason always out there" and "reason here and now" was not a philosopher-king, or Plato’s coming together of knowledge and power.⁴ For absolute knowledge must necessarily be situated outside of the actual community of men; and the power that makes this knowledge socially effective is then also an outside power, not the power of the polis, or political power properly speaking. For Aristotle, the polis as a type of the human group’s organization is before the individual,⁵ and true laws exist even before they are promulgated.⁶ However, the identity of an actual community is formed conjointly with that of its members,⁷ and the elimination of "passion" from laws has to be the work of men, even the best of whom are not totally free of passions.⁸ Thus the mediator between "reason out there" and "reason here" is the polis itself—or rather the historical, albeit telos-oriented, process of the true community’s formation. This, then, is how politics became an extension of ethics; and the polis, or the state, was where the ideal of good life was to be attained.

But history was not kind to the theory, and by the time Aureliius Augustinus, or Saint Augustine, sat down to write his City of God, it appeared necessary to take another look at Aristotle’s conception of man. Man is by nature a social animal, said Augustinus, and even the life of the blessed in heaven is a social life. But man is not a political animal, at least not by nature. The state as a machine of authority, subjugation, and coercion is the consequence of the Fall of man and should not be seen as a vehicle of God’s grace.⁹ Since those were the dying days of the Roman empire, the immediate message was that this state was no longer to be considered as having a privileged, God-ordained place in the history of mankind. The conclusion of the argument was, however, phrased in terms of any state. Man’s road to salvation (or its opposite) was that of an individual situated among (some) other (nameable) individuals. His ultimate fate depended neither on his attitude to the social whole, nor on the political structures characteristic of it. Indeed, the doctrine has been seen as pointing to a kind of "withering away of the state."¹⁰ In any case, the first Utopia was based on the separation of the social nature of man from the political "superstructures," understood as originating in the historically revealed limits to his ability to socialize. And when, a thousand years later, the City of God was secularized, Thomas More placed the Best Order into the realm of the "social man." He proposed that "all men . . . haue and enioye equall portions of welthes and commodities,"¹¹ rather than relying on moral goodness, or historically developed custom, or the political community to see to it that private property be (as Aristotle had it) put to common use.¹²

But the debate did not end there. Some three hundred years later—after a modern civil society emerged from the disordered political states of the Middle
Ages—Hegel entered the list to propose a new version of Aristotle's position, and Marx to reject it on grounds that were, after all, not that different from those of More and Augustinus (not to speak of Plato himself).

Hegel introduced private property at the most fundamental, but also the most abstract, level of right, where right is a "possibility," a "warrant" as yet unutilized, in short a blank waiting to be filled in. In order to become contentful, private property had not only to be (re)connected with particular interests at the level of the individual's welfare but also with his part in the "war of all against all" characteristic of the civil society. Moreover, private property had to submit to the state as "the actuality of the ethical Idea," that is, to politics as the sphere of action where universal interest attains its subjectively concreteness. Only in this way, Hegel thought, could freedom be both subjectively present and objectively possible.

Marx, by contrast, treated politics as a matter of particular interests—among which predominates the interest of the economically most powerful class—and made the social ownership of the means of production the socioeconomic base of the socialistic society. In this way, the new, "human" society was to be erected squarely on the grounds previously occupied by the old, civil society. Politics was assigned the merely transitory role of bringing about the momentous change. Its role was that of a midwife out on a suicidal mission: she will bring the child into the world—and then bow out of it. In its ultimate form, freedom excluded politics.

Today, with history older and sadder, we have especially pressing reasons to look into the justification of these two perceptions of politics.

II

We have already seen how, in Hegel, "private property" is to start with a kind of place-holder. It is central to the very concept of bourgeois society (for it was in this constitutive role absent in the feudal one), though still empty, and powerless to fill up the void except by transgressing itself. It is only as it comes to be confronted with the multiplicity of social contexts in which it is to be used—a multiplicity inherently belying the initial stolid identity of a right which is, after all, the same for all—that "private property" gradually attains content. Indeed, the process is not finished until the state is placed atop all the levels of mediation to give the ultimate, fully structured, and hence in a variety of ways limiting, meaning to "right," and to its first, originally unbounded expression, "private property." For here, as everywhere else, it is only through the particular that the abstract universal can become a concrete one.

Marx, too, starts the conceptual construction of the new society with the bare bones of its institutions, with the social ownership of the means of production and _ex ante_ planning of economic activities. He is also keenly aware of the necessity to concretize these abstract universals with a view to this or that histor-
ical situation. The discussion of "permanent revolution" is indeed in a number of ways an outstanding example of the particular mediating the transformation of the abstract into the concrete: ultimate goals must not be confounded with intermediary goals. One is tempted to say, however, that what Marx giveth with one hand he taketh away with the other. Criticizing Hegel, he writes that the abolition of bureaucracy as a merely imaginary, unreal universal class is possible only when the universal interest—that is, the interest of the society as a whole, or rather that of history as a process of man's emancipation—becomes the particular interest of a real class, the class of the workers. In this case, clearly, "particularity" is a class distinction. It refers to the general features distinguishing the proletariat partly from the ruling classes of "these" times, partly from the subjugated classes of previous historical periods. "Particularity" refers to what all the workers share, not to what may be the role, in the identity formation of each, of this or that family background, of the profession or trade one is engaged in, or of the traditions of the nation to which the individual belongs.

This is not the only meaning of "particularity" to be found in Marx's philosophy of history, but it is the one that dominates both his and Lenin's concept of the postrevolutionary state. In fact, the assumed identity of the working class's particular interest and the universal interest—the interest of all, including those of the generations to come—dominated this crucial part of their argument to a point where it became virtually impossible to ask (at the level of the philosophy of history, not merely at that of the tactics of the revolutionary struggle) a question that in the twilight hours between night and day must surely have haunted even the intrepid: What if the particular revolts against the universal? Or rather: What if the actual particular fails to measure up to the presumed universal? In the extreme case, what if the working class, seen now as a multitude of varied interests, attitudes, values, decides to discontinue the experiment with the postrevolutionary society and return to (a modified version of) the old one?

As it turned out, the question was not an idle one. In Russia, an imperialist war lost and a civil war won left the working class exhausted and spread too thinly over a huge ground; while their potential allies among the peasantry remained confused and inarticulate. By 1921 it became clear that "if the working classes were allowed to speak and vote freely, they would destroy the dictatorship." And this became, in fact, the rallying call of the Kronstadt revolt: the soviets ought to be in reality what they were in name, that is, councils of freely chosen delegates of workers and peasants, elected bodies expressing the will and the interests of the people, rather than serving as mere agents of the Bolshevik party which had seized power and excluded anybody else from sharing in that power. The sailors of the Red Navy were not seeking the restoration of the old regime, but they did demand the abolition of the dictatorship that had been, since Marx's time, considered a sine qua non of the revolution's success.

Clearly, it would have required a great deal of patient political work—political in the sense of mediation of interests, not in that of the crushing force with
which the Kronstadt uprising was suppressed—to help the working people to create a society which would be both as radically new as history was deemed to require and in the image of them as they actually were. Still, some Marxists, among them Rosa Luxemburg, thought that this was the road to take. However, the party leadership, including Lenin and Trotsky, decided it did not have the time for that political work; and the party took it upon itself to govern on the basis of what the workers and poor peasants ought to be. Not surprisingly, the “ought” of the historical role quickly became the “ought” of personal power. Concomitantly, universality was installed in its pure, abstract, vacuous form: the true revolutionary must owe nothing to family or nation, to professional integrity or moral conviction. By the same token, particularity lost the mediating role assigned to it in the true dialectic of individuals and societies. From a necessary link between universal interest as a bare abstraction and universal interest as concrete and living, particularity was relegated to a source of error and trespass.

Marx’s identification, in the present context, of the universal and the particular—that is, his treatment of the latter as an absence of differentiation, rather than an expression of it—was certainly not a sufficient condition for that gigantic turn of the screw; but it was a necessary condition. Moreover, it had, in its turn, prerequisites rooted in even deeper layers of Marx’s thought.

Marx praised Hegel for having realized that man made himself by labor. In fact, Hegel himself spoke of two kinds of labor: labor in the usual (and also in Marx’s) sense of the word was termed “sensory seizure,” and labor in the sense of “giving names” to what is “out there” was called “unsensory occupation.” In fairness, we have to note that these formulations are taken from Hegel’s manuscripts that remained unpublished throughout Marx’s life. But the distinction is present also in works that Marx knew and commented upon. The first kind of labor is man’s act on nature, a project of the human mind being imposed on a thing offering resistance, while the second is a precondition of interactions between people. For it is through language that one self-consciousness exists for another. One is in being recognized by the other, and language is the ground—the “first actual community”—where these recognitions take place. Keeping all this in mind, it ought to be said that Hegel’s men “make themselves” by labor and language as the means of mutual recognitions.

“Recognition” figures prominently also in Hegel’s discussion of property. Within the framework of abstract right, there are three aspects to it. Property exists, first, as an external thing and, second, as an embodiment of [my] will,” meaning that “I hold property by means of . . . my subjective will.” Finally, however, I must be able to hold property “by means of another person’s will as well.” That is, I hold it by virtue of his accepting my title as valid and respecting it. Moreover, this will be true also of his property. In this respect, he will hold it
by virtue of my accepting his title and respecting it. It is in this way that I am (he is) said to hold property in virtue of my (his) participation in a "common will"; and the mediations establishing it occur in what Hegel calls "the sphere of contract." But the first precondition of contract is that "the parties to it recognize each other as persons," that is, as "capacities for rights." In other words, it is the presence of "person" as a universal actor-role that distinguishes the bourgeois society from the feudal one, and the recognition of all by all as "persons" becomes thus the foundation of the new social order.

Marx agrees that "language is practical consciousness that exists also for other men."30 He is also prepared to say that (a) "the material of my activity [is] given to me as a social product"; and he immediately adds that (b) "the language in which the thinker is active" is also a social product.31 Since he speaks of the activity of a scientist, the "material" is either society or nature. If it is the latter, the first statement (a) may be interpreted as follows. Man is never just a passive observer of what is "out there." He is always an actor, taking a position vis-à-vis what he encounters, a position that affects the very perception of the "what." It relegates the nature-given thing to the status of an "object," in the sense of that which is to be acted upon, and simultaneously constitutes that man as the "subject," as the entity that forms mental projects negating the status quo and imposes them on the outside world. But this subject itself is a social creation—the attitude that characterizes it is historically generated—and so the object, too, is a social product. What is, then, the meaning of statement (b)? If language is, as everybody agrees, a social product, has it been historically created as a purely neutral vehicle just reporting what is "out there," or is it an active, "biased" tool always already giving meaning (human meaning, for there is no other) to the "out there"? Does the thought really owe nothing to the word—or do we have to admit that the "what" is inseparable from the "how"? Marx opts for the first alternative: he would not agree that "les choses ... dépendent des mots."32 His main reason is no doubt a social one. The revolutionary cannot depend just on the meaning of things and situations; for the meaning can never be established by him alone. He must know what things and situations are. It is the privileged access to objective truth that is presumed to give him the warrant for acting on his own, independently of consensus.

As for "recognition," it is not a standard part of Marx’s vocabulary, but there is a passage where he returns to it. And, what is more, he uses the term in an argument about property.

This material, immediately perceptible private property is the material perceptible expression of estranged human life. Its movement—production and consumption—is the perceptible revelation of the movement of all production until now, i.e., the realisation or the reality of man. Religion, family, state, law, morality, science, art, etc., are only particular modes of production, and fall under its general law. The positive transcendence of private property, as the
appropriation of human life, is therefore the positive transcendence of all estrangement—that is to say, the return of man from religion, family, state, etc. to his human, i.e., social, existence. Religious estrangement as such occurs only in the realm of consciousness, of man's inner life, but economic estrangement is that of real life; its transcendence therefore embraces both aspects. It is evident that the initial stage of the movement amongst the various peoples depends on whether the true recognised life of the people manifests itself more in consciousness or in the external world—is more ideal or real. Communism begins from the outset (Owen) with atheism; but atheism is at first far from being communism; indeed, that atheism is still mostly an abstraction. The philanthropy of atheism is therefore at first only philosophical, abstract philanthropy, and that of communism is at once real and directly bent on action. We have seen how on the assumption of positively annulled private property man produces man—himself and the other man: how the object, being the direct manifestation of his individuality, is simultaneously his own existence for the other man, the existence of the other man, and that existence for him.33

In the present context, the following three propositions are crucial: (a) human existence is social existence; (b) recognized life need not be the true life; (c) collective property is to serve as a means of one man's "producing" another man.

(a) To be man is to be a social being, and "society" is where we all ought to be at home with one another. Yet the institutions of private property and the state exile man into a world consisting on one hand of things and violence, and on the other hand of myths and other forms of false consciousness. In the market, relations between men assume "the fantastic form of relations between things."34 (Individual labor becomes social labor—or my labor in relation to yours—only as "abstract" labor, that is, as the determinant of the ratio at which the things produced are exchanged. Turning to plainer language, we often say that a thing "changes hands," as if the "hands" were just so many accessories to the thing and men merely the means of its movement.) As for the state, "the political constitution has [become] the religion of national life, the heaven of generality over against the earthly existence of its actuality,"35 which is the suppression of one class by another. In all these ways, the life of men becomes a denial of the life of men.

(b) The "recognized life of the people," or the "world" in which they picture themselves as living, may be false or true. But the transition from the former to the latter is not a matter of knowledge alone. To the extent that the market, the state, the religion make the actual world non-transparent and hence unrecognizable, "cognition" must take the form of "action." Having (to start with, unwittingly) created these obstacles to transparency, men can, and must, remove them. If human relations are to be "understood" (in the sense of known), they must represent "understandings" between the people concerned (i.e., binding mutual promises constituting social reality). In this sense, the "true recognized life of the people" presupposes mutual identity-forming recognitions between the individuals themselves.
(c) If the phrase "man produces man" meant simply that A satisfies by his labor the needs of B and vice versa, the reference could be to any society based on the social division of labor. But that is clearly not what was intended: the validity of the statements is made dependent on the presence of the social ownership of the means of production. It is in this light that we have to see also the remainder of the quotation. Initially, the object (the product) is a manifestation of, say, A's individuality in the sense that it embodies a project that originated in his mind; but that is true of any act of labor, whatever the social (institutional) conditions under which it is performed. If the social ownership of the means of production is to make a difference, the projects of A and B must be coordinated beforehand with a view to the genuine needs of both. Thus the formation of the individuality of A becomes expressly interwoven with the formation of the individuality of B, that of both with that of C, etc. If we think of all of them taken together, the interweaving is the function of economic planning made possible by the social ownership of the means of production. This is, then, how Hegel's abstract universal of "contract" operating at the level of "persons" and made concrete in a series of mediating steps culminating in the category of the "state" is replaced by a universal called "economic plan" that "works" at the level of the new, human civil society and the corresponding role of producer-citizen. This is a universal that is concrete in the sense of operating as an all-inclusive, omnipresent vehicle of mutual recognition of all by all.

But this is not the end of the story, yet. Rather, we have to take another look at the proposition we have ended up with.

IV

To begin with, let us return to the concept of labor. If we isolate an act of labor from all the social conditions under which it is performed, then, in both Hegel and Marx, labor will be exhaustively described in terms of the subject (the producer and his "purpose" in the sense of the "image" of the product), the object (the nature-given, or already pre-formed, thing to be changed in accordance with the present project, and ultimately so changed) and the means of the subject's object-transforming action (the tools, machines, etc.).36 Having deliberately abstracted from the social context of the act, we are entitled to take the "purpose" as given. The presupposition precludes an inquiry into the project's justification (or the lack of it). We cannot ask whether the "purpose" (the image of the product in the producer's mind) is good or bad. Nor is there any need to exclude cunning or artifice,37 for they are directed against the object, not against another subject. In brief, the concern is only with the relation between the end (taken as a datum) and the means (whose range is also taken as given). This "labor process"38 is then the sphere of the legitimate application of instrumental rationality (R₁), demanding the most efficient choice, and the most economic use, of the means to achieve the end.
sought. This rule (i) is technical in the sense of aiming at a change in the physical world, and (ii) while allowing the end to be determined outside any criterion of rationality, it does so by presupposition (the social situation is for the moment abstracted from), not by an assertion about states of affairs or by a prescriptive judgment.

Both Hegel and Marx treat the "labor process" as an analytical construct: in actuality the act of labor is always "embedded" in a set of social institutions and cannot be separated from them. Put another way, behind the immediate "purpose" (the image of the product) is an idea of what the product will be good for, and what is good for me may be bad for somebody else. More generally, the "purpose" may become the "picture" of a whole new state of affairs (rather than just the "image" of a new form of a thing) and the change in the situation (whether personal or national) is justified by "intention," that is, by my individual welfare or happiness. If we then interpret the "end" in \( R_1 \) as the "intention" (rather than the "purpose"), we enter the arena of strategic reason \( (R_1^*) \), whether it takes the form of the neoclassical economist's algorithm of maximizing utility (profit) or that of Kant's categorical imperative. The rule is (i') formal in prescribing only a procedure, but this time the decision is about what I will do to the people, rather than to an object; and (ii') the exclusion of ends from the jurisdiction of reason is justified, not by a temporary presupposition, but descriptively (this is what people ought to do).

Hegel argued that Kant's inward-directed morality, one that is "the active self's very own," can provide only a conditional justification of the ensuing action. Ultimately, to act rationally is to act "not as a particular individual, but in accord with the concepts of ethics in general," that is, in accord with norms that are shared as a part of a historically developed "form of consciousness," or a scheme of how to give (human) meaning to what merely is, or occurs, "out there." This notion of practical reason \( (R_2) \) is grounded in norms that are (unlike the rules of \( R_1 \) and \( R_1^* \)) "substantive." They may be said to "regulate legitimate chances of the satisfaction of needs" and in this way to define "intersubjectively binding expectations of behavior." In their turn, these norms become the basis of interaction between man and man, as distinct from man's action on (passive) nature: the unilaterality of the latter is sharply distinguished from the bilaterality, or multilaterality, of the former.

Marx's position may be characterized as one which cuts across the dividing lines between \( R_1, R_1^*, \) and \( R_2 \).

(a) On the formal side, he propounds the rule of minimizing labor time. The normative principle is introduced in the context of minimization of production costs (recalling \( R_1 \)), but it is also meant to provide "time for the full development of the individual." In this respect, the rule was no doubt intended to go beyond strategic reason \( (R_1^*) \). On the whole, however, the principle leaves an impression of vacuity. "Economy of time" does not appear as a matter of
deliberate choice of techniques of production: rather, it seems grounded in the very "logic" of the production process itself.\textsuperscript{47} And maximization of free time says in itself nothing about how the "saved" time will be divided between idle time and time for "higher activity."\textsuperscript{48}

(b) On the substantive side, Marx rejects Hegel's historically given \textit{Sittlichkeit}\textsuperscript{49} as class-biased and puts forward the notion of human emancipation through praxis. While "emancipation" is certainly a prescriptive term—something which \textit{ought} to be attained\textsuperscript{50}—it follows directly from what is presented as a description, namely, from the essence of man as a demiurge of (social) reality.\textsuperscript{51} On second thought, of course, one is tempted to add that this is precisely the point where the boundary dividing description and prescription must be transcended; for emancipation is fundamental human interest, a \textit{practical} interest of pure reason.\textsuperscript{52} But this is not, and cannot be, Marx's argument. In its turn, "praxis" or "revolutionary," "practical-critical" activity\textsuperscript{53} is closely associated with the assertion that "what individuals \textit{are}, coincides with their \textit{production}," even if this production "presupposes the intercourse between individuals with one another,"\textsuperscript{54} or what we have called interaction between men themselves. In a secular perspective, of course, the dependence is that of production relations on the forces of production, even though "feed-backs" are allowed for.\textsuperscript{55}

From what has been said it is clear that, in order to understand the meaning of "praxis," we have to start with labor. In Marx's eyes, the \textit{transformation} of nature—the shaping of the nature-given thing in accordance with man's image of the product—is already a revolutionary act. And so it is. But it is a revolutionary act \textit{within} the framework of man-to-nature relations where that "other" may be legitimately used as a means because the other is a thing. Yet this fundamental distinction tended to be forgotten, both by Marx and by many of his followers. One of them was Georg Lukács whose \textit{History and Class Consciousness} had "praxis" as its "central concept." In 1967, looking back at the text he had written in 1922, he said that his treatment of "praxis" had not been correct. "Praxis," he now argues, has its "original model and form" in labor, and not to understand that it is so, is to "relapse into idealistic contemplation."\textsuperscript{56} So "praxis" must be modeled after labor—that is, after physical activities legitimately guided by instrumental rationality (R\textsubscript{1}). And at the other end of the line is just "contemplation." No mention here of the boundless field in between, namely, of interactions between men themselves, of the "understandings" constituting social reality proper in accordance with practical reason (R\textsubscript{2}).

All in all, we can hardly escape the conclusion that, in Marx, "the production activity which regulates the material interchange of the human species with its natural environment, becomes the paradigm for the generation of all categories; everything is resolved into the self-movement of production." In this way, "communicative action" (or the language-mediated interactions between people, interactions governed by substantive norms) is reduced to "instrumental
action," 57 guided by the principle of the most economic use of the means available for attaining given ends.

As a consequence, the emancipatory role of "praxis" is fatally compromised:

Efficiency in the employment of means may parade as justice in the choice of ends—and liberation from hunger as liberation from servitude.

There is no dividing line between "forcing things" and forcing people: requirements of production may legitimately include the deformation of men.

The subjectivity of labor (guided by R₁) is separated from, and superimposed upon, the subjectivity of the people performing that labor (the subjectivity to be expressed within the framework of R₂).

V

Marx demanded that labor (man's act on nature) be recognized as appropriation (within the sphere of man-to-man relations). This required that the material means of production become the producers' property—more especially, their collective property—by the right of revolution (occurring, of course, in the domain of relations among men themselves). The title thus acquired would guarantee the producers' access to land, buildings, machines, etc., that is, their possession of the material means of production (a matter of man's acts on nature). And all this was to occur within the boundaries of the "human" society as an heir in good standing of the old civil society.

Turning first to possession, we shall note that nothing is said about the possession of the product. To say that once the product leaves the last producer's hands it is already the property of all is also to say that possession as a distinct relation between the producer and the product disappears. This did not mean much to the factory worker who had been in this position ever since wage labor started to emerge from simple commodity production. But it did matter a lot to the peasant who was thus deprived of the implicit, traditionally respected "right" to subsistence production. Moreover, the possession of the means of production themselves was grounded exclusively in the collective ownership of it. Without the latter as an ever-present "living" relation of all to all, "possession" in this field could be expressed only negatively: by destruction or sabotage, by a sit-in without production, by a strike, etc. And once the latter two were outlawed and "social ownership of the means of production" was rendered vacuous (which was in both cases a matter of the political state, not that of the civil society), there existed no legal form of possession of the means of production. To put the same thing in different words, there was full employment—in some sectors over-employment relative to the actual needs of the production process—but the basis of it was not the right to work. Rather, it was the permission to work. This is obvious in the case of higher bureaucrats, managers, and professionals whose access to "this" job has always been treated as a privilege that could be withdrawn at the pleasure, or rather displeasure, of the powers that be. However, as
the "dissidents" of various persuasions were to learn, any person could be refused permission to work and then be prosecuted for living off illegitimate earnings, or simply for "anti-social behavior" defined as not participating in the society's production endeavor.

As for property, the fundamental difference between the old and the new civil society was that the bourgeois, even when deprived of his participation in the political process, could go back to his property, while the socialist producer, when he suffered the same fate, had nowhere else to go, had no independent basis to retreat to. In this respect, his position was similar to that of a tribesman whose clan was divested of the birthright of access to land by the chief of the tribe, using first the power of symbols (say, the seizure of a sacred drum) and later the manipulation of consensus in the interpretation of the clan's own customary law: the loser had no economic basis from which to defend his right to an economic basis. The collective ownership right of the soviet producer was exhausted by his right of participation in the decisions regarding what social goals the means of production will serve and in what manner. He had only his political right to protect his political right—and that left him too vulnerable to political abuse and naked violence. In Hegel's terms, the right of joint ownership was absolute at the level of law, but without a particularized existence at the level of the civil society. Consequently, the realization of the right became the province of the political state. Therefore, when Stalin disfranchised the producers in the sphere of politics, they were also left expropriated and dispossessed in what was to be the realm of the human society.

All this brings us back to economic planning and the "withering away" of the state. On the technical side, the plan is intended to ensure that the sectors producing material means of production are able to satisfy (in terms of values in use and concrete labor) the demands of the sectors producing the articles of consumption, and to do so (at least in principle) under conditions of expanding reproduction. In this context, the organization of production equals the "administration of things," and labor itself is seen only from the outside as a duty to be accomplished and a deed duly entered into the public "account of labor." In its pure form, this is the sphere of jurisdiction of instrumental rationality (R1).

But labor has also its inside: the "how" of the activity and the "what" it is aimed at. It is in this general context that Marx speaks of expanded reproduction whose pace is "dictated by social needs." Their content is indicated merely by citing "the full development of the individuality," subject to "the existing productivity of society." Beyond that we learn nothing about how "social needs" are determined. Yet the reference to them is sufficient for concluding that economic plan in the sense of technical control over production as a relation between men and nature is to be understood as a response to an underlying social compact about which individual wants will be (given the productivity constraint) sanctioned as social needs, which is of course a matter of relations between men themselves. "Economic plan" in the sense of administration of things gives expression to a social concord on "who is
who" in the sense of which of "your" wants, and which of "mine," will become the needs of all. It is only in this manner that the social ownership of the means of production can function as a universal means of mutual recognition. By rights, this is the domain of practical reason (R2).

If one were to try to translate this argument into the more tangible language of economics, one could begin with this question: Given the state of the productive basis of the economy at some starting point and a set of assumptions about the efficiency of future investments, is there a unique, scientific way of determining which allocation of investment funds between the two departments—the sectors manufacturing the means of production and the sectors producing articles of consumption—will maximize consumption? The temptation might be to reply that the best thing is to give all the available investment funds to the consumer goods department. But Soviet theorists of planning discovered already in the 1920s that the longer the time horizon of the maximization problem, the higher share of the funds—but not all of them—must go to the first department, manufacturing the means of production.67

In other words, it all depends on the time horizon: will it be ten years or a hundred years? Will we maximize the consumption of the present generation of the producers—or will we maximize the stock of the means of production to be handed over to the next generations? This is not a technical question, nor can it be answered in technical terms. In this respect, no one is allowed to hide behind science, pure and simple. As Sartre was wont to say, albeit in a different context, we cannot escape our freedom. The decision is about norms as the basis of interpersonal relations, norms which will determine whose needs are intended to be satisfied and whose will have to remain unheeded, norms which will, in that sense, determine who will have the chance to become whom.68 The realm is that of ethics as to content and of politics as to process.

At this point, however, we have to remind ourselves of the way Marx perceives the first phase of the postrevolutionary situation. For when he speaks of "all," he really means "some." Or rather, he means "all who count" and that immediately poses the question of who will count for the purpose of determining who will count, and so on, and so on. This looks like false infinity—but it duly finds its end in Stalin. Politics in the sense of unbridled use of power in pursuit of a spurious universal interest eliminates politics as the workers’ and peasants’ participation in the decisions making the universal interest concrete and thus true. The resulting expropriation and dispossession of the presumed collective owners amounts to an abrogation of all mutual recognitions and to an arbitrary determination of whose individual wants will become the society’s alleged needs. Hence the sense of profound injustice that has now pervaded the Soviet society for more than seven decades.

On this score, then, the short message of the story is that "socialism" can regain a meaning only if it rejects the positivism hidden in the pure administration of things; readopts social justice as its ethos; and, in order to give it con-
creteness, restores politics to its proper function of the medium through which any initial notion of universal interest (a notion to start with always necessarily abstract) is confronted with a wide range of varied particular interests, so that "society" does not become an enclosed void.

VI

This argument has been conducted in terms of Marx's own perception of the society of free producers and hence in terms of directive economic planning. But the conclusion stands even if allowance is made for a movement toward market relations in several of the Soviet-type societies. For the strengthening of the "civil society" requires more, rather than less, "politics," albeit in the above sense of mediation, not suppression. One need not take Hegel's (or Keynes's) word for it. Western societies offer plenty of empirical evidence to support the claim.

It would be wrong, of course, to think of the reforms, actual or planned, as introducing market relations into a virgin land where they had never existed. In fact, "socialist" societies have always been producing commodities (in Marx's sense of the unity of value in use and value in exchange) by default. Whenever the socialization of individual labor through the plan failed—that is, whenever the alleged production of values in use did not correspond to the actual structure of "social needs" (in principle satisfiable within the "existing productivity of society")—it was likely that market relations would "step into the breach" to deal with the discrepancy. That they often did is amply documented by the presence of the "black market," by bribes being demanded and paid for a number of services (sometimes including health care), and ultimately by the emergence of a whole "secondary" economy.

An intentional introduction of market relations into the "primary" economy is, of course, a quite different matter. To say that all consumer goods production will be oriented toward actual rather than presumed final demand, that most capital goods (as a Western economist would call them) will be traded between enterprises (rather than allotted to them by the central authority), that an enterprise that does not stand the test of economic efficiency will be allowed to go bankrupt (rather than being eternally bailed out by the state)—to say all that is to express a commitment to a change that goes right to the essence of the traditional understanding of "socialism." Alas, the magnitude of the intended change is proportionate to the problem on hand. It has turned out that no industrially developed economy of any size can operate in a rational manner on the basis of centralized directive planning, whether "rational" is understood in the context of R₁, R₁*, or R₂. To be sure, the method of "material balances" may be used with various degrees of competency, but the core of the difficulty is in the method itself. It goes back to Marx's idea of an ex ante integration of all economic activities in terms of values in use (the physical qualities and quantities of
the various material means of production) and concrete labor (the quality and quantity of the labor employed to produce this or that product).72

Since one would not want to overstate a good case, it ought to be granted that planning in terms of material balances may be understood as an iterative technique that, in principle, does lead in a finite set of steps to the "right" input-output table.73 Even that, however, does not get us very far. Apart from considerations of a more detailed or technical character—such as the effects of limited plant capacities and of inflexible supply of labor of various kinds74—there is, in the first place, the matter of size and complexity. Once it is realized that the Soviet Union produces now more than a million different products, it becomes evident that duly interlocking material balances will, even at the level of the so-called "basic proportions," amount to a jigsaw puzzle so gigantic that it defies solution on informational grounds alone.75

In addition, there is the matter of costs. Again the argument ought not to be couched in terms of absolutes. It is true that a suitably adjusted input-output matrix does imply a unique set of "accounting prices" expressed in units of homogeneous labor; in effect, these are Marx's values seen as underlying the actual prices.76 But all this merely shows that prices in a Soviet-type economy need not be so many aberrations divorced from actual data, that is, from the cost basis—given a final demand structure that may have been self-servingly presumed and a "grid" of intersectoral relations that in part "solidifies" previous arbitrary production and investment decisions. Even if for a moment we abstract from the size factor, which is formidable even in countries that have less than a million production processes distinct at least in their final stages, it is obvious that the possibility of an ex post calculation of "reasonable" prices by no means excludes the actuality of an irrational structure of costs in an ex ante sense of the word, costs as they enter the decision-making processes.

In this crucial respect, then, the reforms call for a rational calculus based on an internally consistent price system, meaning one that conveys correct information on the "terms on which alternatives are offered."77 In its substance, the call is not new. As early as in 1918, Lenin wrote that, while "confiscation" requires merely determination, "socialisation cannot be brought about without the ability to calculate." To bring the point home, he added: "economically, state capitalism is immeasurably superior to our present system," suffering, as it was, partly from the notion that it was unbecoming to a revolutionary to count and reckon, partly from the uncultured calculativeness of the petty bourgeoisie.78 The seventy years that elapsed between then and now have, of course, changed the country in very many ways. What comes first to mind is that, then, it was abysmally poor, but "on the go," even if the direction of the movement was a matter of much legitimate dissent. Today, the society is richer but, despite some recent jolts, still frightfully stale. On inspection, however, we will note another difference. Reading Lenin, one has the impression that the "capitalist" calculation can be grafted on the socialist system without a major conflict; the former
tends to be seen as just a tool of the latter. These days, there is a degree of awareness that, at least in the transitional period, a lot of tension will exist between the two. It may be worthwhile, therefore, to take a closer look at the market as a domain of counting and reckoning and its relation to the social environment.

VII

For the sake of brevity, let us consider just two "divisions" of this vast terrain: prices (with a postscript on foreign trade) and investments.

Traditionally, the case for economic reforms has been made in terms of enterprises maximizing profit subject to parametrical prices. As a rule, such prices would be determined by competition; as an exception, limited initially to cases of basic social interests, the price would be fixed by the state. This latter approach might have to be used also in the case of monopolistic markets, unless a sufficient degree of competition could be engendered by imported goods. Whether such import-based interventions are economically feasible is not of our concern. For the present purpose it will suffice to note that in all the instances cited the enterprise is seen as a price-taker. However, one may also want to take into account that quite a few capitalist firms operating in oligopolistic markets, mainly the corporations employing very modern technology, are now often seen as the makers of prices that are based on the cost of production and a "normal" profit markup. The freedom of the price-setter is then constrained partly by oligopolistic competition, partly by trade unions attempting to prevent a redistribution of net income in favor of the owners of capital and, more generally, aiming at wages (meaning also wage differentials) that are "fair." The point to hold on to is that this behavior is not a part of the supply-demand mechanism ensuring that the labor market is cleared. Rather, it is an exogenous factor reflecting social concerns and the role of institutions designed to articulate them, if need be even at the cost of a measure of unemployment.

It is widely assumed, and feared, that oligopolistic enterprises in reformed Soviet-type economies would also act as price-makers; and, if so, the question arises: what income-distribution constraints could be placed on their freedom in price-setting? The obvious answer is that the state will step in to determine the principles of income distribution. That, however, need not be sufficient. For at issue are not the broad outlines of an income policy; rather, of concern is the structure of the wages and salaries in this or that enterprise or a group of enterprises, and that requires a much more direct participation of the workers and their organizations. But there is more to the story than just this. The distinction between the supply-demand mechanism of the market and the social environment within which it operates brings to mind the three concepts of rational behavior discussed earlier. The market is, of course, the province of instrumental and strategic reason ($R_1, R_1^*$). Social attitudes and concerns open room for norm-
based interaction (R₂), although there is no a priori way of knowing how much of that room will actually be occupied by it. It is clear that striving for rational calculus (R₁, R₁*) ought not to be understood as denying the legitimacy of the social concerns best articulated (or at least expressible) within the framework of practical reason (R₂).

At this point it will be useful to bring in foreign trade. While nearly all countries are engaged in it, that does not necessarily make them open economies. In principle, a closed economy is merely an open economy without currency reserves (and with no possibility of obtaining credit). In real life, of course, a lot depends on the conditions under which an open economy becomes, in this sense of the word, a closed one, and on the consequences of that fall from grace. A particularly interesting, and frightening, case has been described as follows:

There have been sufficient reserves to support an expansion in its early stages; but without the point being reached at which expansion becomes "self-sustaining," the reserves are exhausted (and cannot be supplemented by foreign borrowing). The country is then in the dire position that its current level of employment, and its current level of real wages, are levels that it cannot sustain, cannot possibly sustain. . . . It may be possible, by desperate efforts, to avoid exchange depreciation; but that cannot be done, unless the expansion is cut back severely; the whole of the shock must then be taken by employment. Exchange depreciation diminishes that shock, but at the cost of aggravating inflation. . . . But since inflation is an ineffective way of cutting real wages, some part of the shock will still have to be borne by employment. Thus, as a result of the crisis, there is exchange depreciation, increased inflation, and rising unemployment, all (more or less) at the same time.⁸³

This case is, of course, of special importance for countries that are poor in natural resources and at the same time regard full employment as their adopted, or "natural," goal. But the lesson to be drawn from this special case is completely general. The point is that the allocative function of prices is not the same thing as their social function, and that one may get into conflict with the other (for reasons which are by no means limited to the lack of currency reserves). Needless to say, this is not to suggest that the allocative function be neglected; as already noted, the history of Soviet-type economies is replete with proofs that this kind of error is exceedingly costly. But the social function of prices (including wages and interest rates) must not be neglected either, whether it concerns unemployment or, say, regional disparities. Moreover, one of the reasons for keeping in mind this latter function of prices is precisely the difficulties we often face in the context of the former: "a world in which optimum efficiency is attainable through free use of a price-mechanism is very far off."⁸⁴

An internally consistent price structure has been insisted upon not only as the basis of production decisions (and consumer choices), but also as the point of departure for investment decisions (and, in due course, savings decisions, too).
This is, no doubt, a valid and important consideration. Yet it may help to add that even in Western countries investment and saving decisions are not necessarily seen as located in the market place, or at least not unconditionally so. In the Keynesian framework, the reservation is expressed as follows. The decision to invest depends on the interest rate which is "a highly psychological," or "highly conventional," phenomenon. Furthermore, if technological change has to be taken into account, the dependence is also on the marginal efficiency of capital, which is seen as an "expected yield," conditioned by "the state of confidence," and so an "outcome of mass psychology." In their turn, savings decisions are governed by the propensity to save, the obverse of the propensity to consume, associated with a "fundamental psychological law." In this last case, the savings behavior is regulated by a social convention according to which an increase in income is responded to by a less-than-proportionate increase in consumption. In the preceding two instances, the departure from pure market conduct is even more pronounced. The present is made to depend on a picture of the future, so that facts, including those "produced" by the market, are of importance to the degree to which they change socially generated expectations.

Somewhat surprisingly, the argument starting from the neoclassical premises is even more radical. The conclusion deserves to be quoted in almost "so many words." Let us assume

conditions completely favorable to the satisfactory working of the price system. The amount of saving any one household undertakes (out of a given income and at a given rate of interest) will depend upon the goods and services it expects those savings to be able to purchase in future years—upon the expected level of prices. . . . But the prices which will actually prevail in the future depend upon the savings decisions of other households, now and in the future. This is so not only on the demand side, but also because the savings of all households together determine the rate of capital formation—and thus the future supply of goods and services. No one household has any way of knowing what other households intend to do. The market does not provide it with the information it requires to make a rational decision. This is perhaps one of the more important senses in which the rate of saving (and investment) is unavoidably 'political'. The ordinary mechanism of the market cannot handle it. The ballot box, or something else, must be substituted for the price system.

Before going any further, let me say that, to my knowledge, no reform proposals have aimed at a complete marketization of investment decisions. Yet the reasons for "holding back"—at least the rate of accumulation is to be decided by the state—have been usually associated with the characteristic features of the "socialist" economies themselves. Now it turns out that the grounds are inherent in the nature of investment (and savings) decisions, no matter under what institutional conditions they are made and whether or not the price system functions in a satisfactory manner. Once socially generated expectations are excluded
by assumption, or proved insufficient for dealing with the problem of uncertainty in respect to the future, explicit political compacts become necessary. And if they are to be truly political, they cannot be guided by instrumental or strategic rationality ($R_1$ or $R_1^*$): this is the rightful province of practical reason ($R_2$).

VIII

It is no doubt possible that a society would freely opt for a lesser degree of efficiency in exchange for more social justice. In the present case, however, the loss of efficiency has been too blatant and crippling. Moreover, the custom has been to "resolve" the consequences by adding to inequities in the sphere of distribution and to injuries in the social and political life as a whole. The market is, of course, known to have limitations of its own. The individual actor's influence on its performance is proportionate to his or her income, wealth, or economic position; moreover, there is a "leverage coefficient" to be considered, positive in the case of the well-to-do or well-placed, negative for those who are poor or disadvantaged. Besides, the dynamism of the market has to be "bought" at the price of increased uncertainty in many walks of life. This will remind us of the sad fact that even an alienated way of life may become a refuge when threatened—perhaps only by the unknown—and that security is sometimes defended, even if it is only the security of oppression. For these reasons and others, already discussed, the change must be visible not only in what is done with regard to the present, but also in what is done about the past. For the identity of a people, being the product of their having accepted history and transcended it, cannot be restored as a collective head with a hole the size of the Kremlin. To gain legitimacy, the reform cannot cite just efficiency. It must be shown that the rational calculus ($R_1$, $R_1^*$) is a tool, not a master: that there is a genuine move toward practical reason ($R_2$) that tests the validity of ends, not merely the efficacy of means. For, otherwise, the change would be only from an irrational bureaucratic rule to a technocratic one, a rule rational only to itself.
Notes

Martin Heidegger writes—albeit within a context different from ours—that the “polis is the historical place, the there in which, out of which, and for which history happens.” An Introduction to Metaphysics, translated by R. Manheim (New York, 1961), p. 128. 


Politics, 1253a, quoted according to E. Barker’s translation (New York, 1962).

Republic, 473d.

Politics, 1253a.

Law is not a mere covenant (Politics, 1280a). But it has an element of convention, which is the necessity to have the law declared (not enacted) by legislators. The Politics of Aristotle, edited and translated by E. Barker, p. 367 (editor’s commentary on the treatment of justice, law, and equity in Aristotle’s Ethics).

Replying to Socrates’s claim that the greater the unity of the state the better (Republic, 463b), Aristotle says, in effect, that unity should not be mistaken for sameness. Indeed, there is a point at which a polis, seeking unity, will cease to be a polis (Politics, 1261a, 1263b).

Ibid., 1286a, 1287a.

City of God, edited by V.J. Bourke (New York, 1958), mainly Book XIX, chs. 5 (the life of saints is social) and 15 (God meant no man to have domination over man; servitude is the result of sin). At the same time, Augustinus appears to approve of individual property (e.g., XV, 16 and XIX, 21) and even of slavery, at least to the extent that it is penal (XIX, 15).

Ibid., 1286a, 1287a.


Politics, 1263a.


Ibid., §§ 257, 258, 261.


Ultimately, the state itself is a level of mediation: as the mind of a nation, a mind “restricted” by having “a history of its own,” it “passes into the universal world history, the events of which exhibit the dialectic of the several national minds—the judgment of the world.” Hegel’s Philosophy of Mind, Part Three of the Encyclopedia of Philosophical Sciences (1830), translated by W. Wallace (Oxford, 1985), paras. 341, 352, 548. See also the Philosophy of Right, §§ 341, 352.


“Contribution to the Critique of Hegel’s Philosophy of Law,” ibid., p. 48.


Philosophy of Right, § 52. The resistance resides in the sheer positivity of the object’s being—not in a counter-project, which would imply negativity and which is the prerogative of the subject.


Herbert Marcuse, Reason and Revolution: Hegel and the Rise of Social Theory (Boston, 1960), p. 75. In speech, writes Hegel himself, “self-consciousness, qua independent separate individuality, comes as such into existence, so that it exists for others” Phenomenology of Spirit, para. 508.

Philosophy of Right, §§ 71, 36.


Philosophy of Right, § 52R.

This is Marx’s term; see again Capital, vol. 1, ch. VII.


G.W.F. Hegel, Philosophy of Right, §§ 119–23.

“‘Rationality’ is to be understood as the consistent choice of action calculated to achieve what is desired, given the possibilities.... The question of rationality or irrationality is therefore a question of the appropriateness of means, given the ends, and neither requires or implies any judgment about the ends.” G.C. Archibald and R.G. Lipsey, An Introduction to a Mathematical Treatment of Economics (London, 1973), p. 157. As for
Kant, see Jürgen Habermas, *Theory and Practice*, translated by J. Viertel (Boston, 1974), p. 151.

Roughly speaking, classical utility theory (starting with Bentham) was normative, while the neoclassical economic theory sees itself as descriptive: “the consumer’s market behavior is explained in terms of preferences, which are in turn defined only by behavior.” The “individual confronted with given prices and confined to a given total expenditure selects that combination of goods which is highest on his preference scale.” Paul A. Samuelson, *Foundations of Economic Analysis* (New York, 1971), pp. 91, 97–98. Emphasis mine. There are, of course, various intermediary positions. For instance, R.D. Luce and H. Raiffa write that “game theory is not descriptive, but rather (conditionally) normative. It states neither how people behave nor how they should behave in an absolute sense, but how they should behave if they wish to achieve certain ends.” *Games and Decisions* (New York, 1967), p. 63.

Phenomenology of Spirit, para. 603.

*Philosophy of Right*, § 15A.

Thomas MacCarthy, *The Critical Theory of Jürgen Habermas* (Cambridge, Mass., 1982), p. 313. The first quotation is from Habermas’s “Wahrheitstheorien,” in H. Fahrenbach, ed., *Wirklichkeit und Reflexion* (Pfullingen, 1973), p. 251. Habermas agrees with Hegel that the norms that guide our behavior toward others ought to be substantive, that is, contentful (see R₂). However, he is also aware that Hegel does not provide a framework for the change of norms. Therefore, Habermas introduces procedural rules to govern the practical discourse within which it is to be established which hypothetical, or actually proposed, norms are valid. This is, of course, not the same thing as the procedures by means of which norms (including the valid ones) are actually “produced”; the latter is a matter of the constitutional provisions governing political processes. It ought to be noted, however, that—to the extent that he opts for procedural meta-rules for the validity tests—Habermas is returning to the Kantian tradition of cognitivistic ethics. See, e.g., *Moralbewusstsein und kommunikatives Handeln* (Frankfurt, 1983), pp. 53, 113–14.


Saving of labor is said to be “identical with development of the productive force.” This statement denies that “abstinence from consumption” is involved. Yet to the extent to which new technologies are “embodied,” they require material investments that in any economic system compete with immediate consumption demands. (See also section 5 below.) From the point of view of the “direct production process,” saving of labor time can be “regarded as the production of fixed capital, this fixed capital being man himself.” The creativity with which this kind of capital is endowed will then “react back upon the productive power of labor as itself the greatest productive power.” Ibid., pp. 711–12. The description concentrates on the labor process legitimately guided by instrumental rationality (R₁), rather than pointing to man stepping out of this process to make socially responsible decisions about new technologies which will affect not only things, but also the people themselves (so that the choices properly belong to the sphere of R₂). Ibid., p. 713.

The German word *Sittlichkeit* is derived from *Sitten*, meaning “customs.” In its turn, the last term is understood as “ethical life” (*das Sittliche*) in the sense of the “general mode of behavior” characteristic of individuals who “are simply identified with the actual
order.” This is also why Hegel writes that the “state exists immediately in custom,” that is, in man’s initial immersion in the norms he was born into. Philosophy of Right, §§ 151, 257. It is not difficult to see that this framework was seen by Marx as static, fixed, and inimical to the interests of the working class that needed a fundamental change in the society’s norms and its perception of needs. One of the best known expressions of this attitude is his and Engels’s statement that, to the proletarian, “morality” is just one of the “bourgeois prejudices, behind which lurk in ambush ... bourgeois interests.” “Manifesto of the Communist Party,” Selected Works, vol. 1 (Moscow, 1973), p. 118. The word “morality” covers here both the morality of Kant and the “ethical life” of Hegel. This is the basis of Steven Lukes’s analysis of “morality” in Marx; see his Marxism and Morality (Oxford, 1985), mainly chapter 3.

See, e.g., the quotation cited in note 33, above.

Jürgen Habermas, Knowledge and Human Interests, translated by J.J. Shapiro (Boston, 1971), pp. 197–200.


“German Ideology,” p. 20.


History and Class Consciousness, translated by R. Livingston (Cambridge, Mass., 1986), p. xviii. It remains, of course, a question to what degree was Lukács’s self-criticism a voluntary act. In addition, Lukács ought to be given credit for having initiated the discussion of some of the concerns expressed in this paper’s view of Marx.

J. Habermas, Theory and Practice, pp. 168–69.


In the Encyclopedia, Hegel treats property and contract under the heading of Law, or Right as Right (both being synonyms for formal, abstract right). Hegel’s Philosophy of Mind, § 487.

While in exile, Leon Trotsky acknowledged that Soviet bureaucracy attained a higher degree of independence from the “dominating” class than had bureaucracy in any other state, past or present, with the exception of Hitler’s Germany and fascist Italy. However, he still argued that the Soviet “apparatus” of the party, the state, and the armed forces failed to attain the position of a ruling class; the reason being that its “independence” was not based on the property relations characteristic of the society. In other words, even under Stalin, social ownership of the means of production prevailed and the workers formed the “dominant” class. The main proof of this contention was that bureaucracy “has not yet created social supports in the form of special types of property,” such as stocks, bonds, or inheritance laws allowing for the transfer of bureaucratic positions from father to son. See The Revolution Betrayed, translated by M. Eastman (Garden City, N.Y., 1937), pp. 248–49. See also I. Deutscher, The Prophet Outcast: Trotsky 1929–1940 (London, 1963), pp. 202–8, 302–11. Unfortunately, Trotsky failed to see that the bureaucratic rule itself amounted to a transfer of property to the wielders of power. If a peasant is tied to his village for life; if he cannot leave his domicile without permission
from the authorities even for a short span of time; if his son cannot attend a university or go to work in the town without such a permit: then it is a misuse of language to say that he is a co-owner of the kolkhoz in question. On the contrary, it is the bureaucracy that “owns” him through the perverted institution of “kolkhoz.” However, this critique is not meant to detract from the importance of the stress—in Trotsky’s later works—on politics and democratic processes in a reformed Soviet system.


This is, unfortunately, true also of Hegel’s “system of needs.”


See section III, paras, (b) and (c).

See section V above.


Gunnar Myrdal was not alone in believing that “comprehensive and complete planning” is likely to be beneficial in the “initial stages of underdevelopment.” Beyond the Welfare State (New York, 1967), p. 103.


One of the less technical discussions of such iteration is to be found in J.M. Montias’s article “Planning with Material Balances in Soviet-type Economies,” American Economic Review, December 1959, pp. 963–85. The article is reprinted in A. Nove and D.M. Nuti, eds., Socialist Economics (Harmondsworth, 1976), pp. 223–51.

In principle, these limitations could be overcome by the application of the techniques of mathematical programming. In practice, however, these techniques have been used not as a basis of planning, but only as a kind of check on the procedures adopted by the actual planners. One of the first attempts of this kind is discussed in J. Kornai’s paper “Mathematical Programming as a Tool of Socialist Economic Planning,” reprinted in Socialist Economics, pp. 475–88.

The meaning of “basic proportions” is usually decided ad hoc, depending on the purpose of the analysis. Invariably, products have to be replaced by product aggregates, at least for a substantial part of the calculations. It can be easily seen that in the long and tortuous vertical data flows—from the enterprises to the planning centre and back—a lot
of the information is lost, partly literally, partly due to incompleteness, error, clogging (too many data to process efficiently) and misinterpretation.


See, for instance, Wlodzimierz Brus, *The Market in a Socialist Economy* (London, 1972), p. 146. Also, Šik, pp. 272–75; Kosta, Meyer, and Weber, pp. 199–201. The institutional basis of the present (late 1980s) “wave” of economic reforms in the USSR is still in the process of formation. It seems, however, that, even if the range of centrally determined prices were reduced substantially (from the pre-reform number of 500,000), they would still prevail in all “essential” (“staple”) products (such as “fuel, electricity, the most important raw materials, rolled steel machinery, and some consumer goods”). As for monopolies, the intention is to “end” them, partly by administrative measures, partly by the creation of “parallel enterprises or economic organization.” Abel Aganbegyan, *The Economic Challenge of Perestroika*, translated by P.M. Tiffen (Bloomington, Ind., 1988), pp. 119, 128, 131, 134–35.


In the fixprice regime, the loss of output (employment) is larger than in the flexprice world because the adjustment to a fall in demand affects only quantity, not also the price (the wage rate).

Brus, pp. 130–40; Šik, pp. 188–89; Radoslav Selucký, *Economic Reforms in Eastern Europe: Political Background and Economic Significance* (New York, 1972), p. 141. (The reference is not to a general statement, but to the description of the late 1960s Hungarian reforms. These reforms were, however, of special importance because—after the discontinuation of Czechoslovak reforms in 1969—they became the sole representatives of more incisive changes, as compared with the narrowly circumscribed reform attempts in the GDR and USSR.) As for the present Soviet economic reforms, it appears that the state will continue to implement “an overall wages policy, mainly through a centrally established system of pay scales for workers.” Also the “incremental norms” (roughly, the coefficients of wage growth per one percent of output growth, linked also to productivity growth) would be determined centrally. See Aganbegyan, pp.

Hicks, p. 83.

Ibid., p. 85.


J. de V. Graaff, Theoretical Welfare Economics (Cambridge, 1967), p. 103. The argument presupposes an absence of perfect forward markets for all commodities, markets extending indefinitely into the future—but that is one of the most realistic assumptions to be introduced into economic reasoning.

E.g., Brus, p. 140; Šik, p. 231; Selucky, p. 141 (as in note 82, the reference is to Hungary). See also Kosta, Meyer, and Weber, pp. 183–84.


Ibid.


G. Khanin and V. Seliuinn, “Lukaya tsifra” [The Cunning Figure], Novyi mir, 1987, no. 2 (in Russian).


In this article I am dealing with problems of the mixed economy in real socialism on the basis of Polish experiences. But I believe that other countries of Central and Eastern Europe are, or will be, facing similar problems on the road to transformation. This paper is a continuation of my study “On Crucial Reform of Real Socialism,” in H. Gabrisch (ed.), Economic Reforms in Eastern Europe and the Soviet Union (Boulder: Westview Press, 1989), and this is why I skip the issue of political conditions and framework boundaries for the transformation as well as the question of the functioning of a mixed economy with a predominance of non-private and non-state forms of property. The underlying assumption is that the economy in question would be a market economy with limited strategic planning.
In “What Remains of Marxism” she wrote, “Socialism has not emerged out of advanced capitalism, but has turned up in societies at stages far back in the Marxian series, while capitalism continues to flourish side by side with the new economies.” J. Robinson, Collected Economic Papers, vol. 3, p. 158.

Otto Bauer, Zwischen zwei Weltkriegen (Prague, 1936). That book was never published in Polish.


Here is a good illustration of that. Several years ago when the left-wing monthly Zdanie [Point of View] appearing in Kraków published a selection of Hayek’s texts, the Hayek-Lange dispute was not mentioned at all. When a similar selection of Ludwig Mises’s texts was published more recently, a telling note was appended to the contribution saying that “His [Mises’s] findings concerning the question of calculation in socialist economy were confirmed by reality in a spectacular manner (Oskar Lange, who challenged Mises on that matter, displayed more ideological commitment than analytical expertise).” Zdanie, 12 (1989).

The charter says, among other things, “Private ownership of property is the practical side of the Christian principle of auxiliariness, which implies that public life should concentrate mainly in intermediate groups situated between the human individual and the state.” The Laborem Exercens appears to belong to a different, even opposing current of social thinking.


The Party has a long record of about-faces. But even Walesa shifted recently from a self-management to a property rights inclination. Right after sending a letter of support to the Self-management Forum, he said in the interview, “Elsewhere in the world, management is a responsibility of directors, computers…. Self-managing bodies could become something like public control bodies, making sure that all wheels are turning in the right direction…. Now we have first got to change the ownership system. I am not speaking about capitalism or any other system, but I would like to see things this way: when I enter the shipyard I should feel a little part of it belongs to me too.” Tygodnik Robotniczy [The Workers Weekly], 6 (1989).


See, for instance, “For twenty years I have dabbled in designing a better economic system for Poland. But now I am against such design games … let all kinds of ownership forms be in the ring, all kinds of private initiative, and let them compete against one another to see which of them is the best one.” “Bez pointy dyskusja,” Dwadziescia jeden, 3 (1986), p. 13.

J. Lewandowski and J. Shomburg, Uwlaszczenie jako fundament reformy społeczno-gospodarczej [Endowment as the foundation of socioeconomic reform], report from a seminar on Transformations of the Polish Economy (Warsaw, 1988).


S. Kawalec, Zarys programu prywatyzacji polskiej gospodarki [A Program Outline on the Privatization of the Polish Economy], report submitted to seminar mentioned in note 15.

M. Dabrowski, Wlasnosc grupowa jako jedna z dróg przekształcenia własności panstwowej [Group ownership as one way of transformation of state ownership], report submitted to seminar mentioned in note 15.

P. Roman, “Przedsiebiorstwo pracownicze” [Employees’ Enterprise, summary of a draft law], mimeographed.


A. Paszyński, ibid. Let me point out a trifle that is not one. In the text you will come across the word “one-sided” in an unusual meaning. It may well have been a misprint (for the Polish word for “unequivocal”), but that may as well have been the price paid for a compromise with the Catholic editors of Tygodnik Powszechny, a journal that is, so to say, obliged to denounce any line of human activity that is morally dubious.

J. Marczewski, the Nestor of Polish emigre economists, published an article called “An Economic System for Poland after Its Liberation,” Kultura, 12 (1987). His idea of a D-Day when “the Polish people will finally be free to choose in a truly free and democratic manner, the political, social and economic system under which it wants to live” seems rather utopian to me. But I want to make clear that Marczewski beats neoliberal economists living in Poland to a firm sense of realism, as he openly acknowledges the great problems and difficulties such as any major transformation of the system is likely to cause.


Ibid.


I should like to thank the members of the economics department of the University of Belgrade for their hospitality and their help in collecting materials during my visits to Yugoslavia in March 1985 and May 1987. I also gained greatly from consultations with colleagues at the Institute of Economics in Zagreb. Special thanks are due to Professor R. Stojanović for arranging my trip to Yugoslavia and numerous meetings with other scholars. I was also privileged to participate in a seminar on Economic Problems in the Communist Countries, led by professors W. Brus, M. Kaser, and F. Seton. Their comments on my working paper on Yugoslavia helped me a great deal. Last, but not least, thanks to the Canada Council. Without their generous financial assistance this project could not have been undertaken. All of these contributions helped to make this study possible. Needless to say, none of the above-mentioned people or institutions is in any way responsible for the views I have expressed, or for errors my analyses may contain.


This summary is based on a statistical analysis of (a) the overall dispersion of wages in Yugoslavia and its republics in general; (b) skill differentials for the federation as a whole and for republics; (c) interbranch differentials for the federation as a whole and for the republics. The reader may obtain these data from the author on request.


Williamson, Markets and Hierarchies, p. 46.


I was informed during my visit to Yugoslavia that some kind of guidelines were introduced, relating different categories of skill to unskilled labor, but were later abolished.

The share of personal income after taxation as a ratio of the total income of the enterprises declined from 46 percent in 1976 to 30 percent in 1982. In five years of crisis, 1979–1984, the state drastically reduced the share of net personal income in the total earned income of the enterprises. As a result much less was left to distribute between the employees. See M. Jovičić and B. Cerović, “Raspodela ličnih dohodaka i proizvodnji rad” [The distribution of personal income and productive labor], in Raspodela prema radu. Protivurečnosti i Perspektive [Distribution according to work. Contradictions and perspectives] (Belgrade, 1983).

According to official statistics real personal income in 1979–84 declined by nearly 35 percent.

Bičanić, “Nejednakosti i ličnih dohoci.”

This distinction between the labor and capital schools was first made by S. Estrin and W. Barlett in “The Effects of Enterprise Self-Management in Yugoslavia: An Empirical Survey,” in D C. Jones and J. Svejnar, eds., Participatory and Self-Managed Firms: Evaluating Economic Performance (Lexington: Lexington Books, 1982).


A very strong critique of the labor school in general and of Ward in particular will be found in three articles by Horvat published in 1986. See B. Horvat, “Farewell to the Illyrian Firm,” Economic Analysis and Workers’ Management, no. 1 (1986), pp. 23–29; idem, “The Theory of the Worker Managed Firm Revisited,” Journal of Comparative


This point is very strongly emphasized by S. Popov in “Intersectorial Relations of Personal Incomes,” Yugoslav Survey, May 1972, pp. 63–80. She tries to prove that there is a very strong correlation between firms with high K/L ratios (usually large by any indicator of concentration) and their size of personal income.

See Vanek, “Yugoslav Economy Viewed through the Theory of Labor-Management.”

Other factors are the underdeveloped capital market, arbitrary limits on interest rates, and some of the social agreements.

This terminology to describe the property relations in the firm was first used by Vanek. See J. Vanek, “Identifying the Participatory Economy,” in B. Horvat, M. Marković, and Rudi Supek, eds., Self-Governing Socialism: A Reader, vol. 2 (White Plains: M.E. Sharpe, 1975), which tries to distinguish between ownership of capital assets and the right to enjoy the fruits of material goods that are in their ownership in the traditional sense of the word. In this context it is worthwhile to mention A. Bajt’s concept of the nature of capital in the Yugoslav system. Bajt distinguished ownership of capital from ownership of the particular physical means of production. Society is the owner of capital but the owner of the physical means of production is the collective of the firm. See Bajt, “Social Ownership—Collective and Individual,” in ibid.


Yugoslavs do not call the socialized enterprise a cooperative, but an “organization of associated labor.” The intent here is to distinguish the Yugoslav firm from the cooperative form as far as property rights are concerned. Members of the Yugoslav enterprise do not have individual control over their invested capital as is the case with a cooperative.

It is difficult not to agree with Peter Wiles when he claims that the typical supporter of reinvesting will be the skilled and influential middle-aged worker with a family and a satisfactory house and possibly active membership on the workers’ council. The typical voter for more personal income will be the uninfluential, the mobile workers, etc.


Command economies also have substantial interbranch differentials, but they are established by the center in accordance with its preferences. What is more, the differentials are in most cases and most of the time smaller than in market-oriented systems.


Kalecki can be considered a pioneer of the efficiency wage concept. In his seminal paper of 1943, “Political Aspects of Full Employment” (in Selected Essays in the Dynamics of the Capitalist Economy, 1933–1970 [Cambridge: Cambridge University Press, 1971]), Kalecki claims that unemployment is necessary to maintain work discipline and work intensity on the shop floor.


See Estrin, Self-Management, Appendix B, Table B4. International comparisons made by Kruger and Summers (1986), Tables 2.3 and 2.4, using a different set of econometric tools, indicate that in many Western countries, the dispersion of wages between branches is greater than in Yugoslavia.
Some well-known Yugoslav economists, such as Horvat, Bajt, and B. Marendić, believe that it would be possible to guarantee enterprises equal economic opportunity only if worker collectives were permitted to retain only those net incomes which are a result of their labor contribution and quality of management, and not effects linked with better capital endowment and market conditions. It should be stressed, however, that the concepts of labor contribution used here are ambiguous. In one instance the labor contribution means effort, intensity of work, education, and skill; in another it means the result of work in terms of output. See A. Bajt, “Dohodna cena kak normalna cena u našoj privredi” [Income price as a normal price in our economy], *Ekonomist*, no. 4 (1964); B. Horvat, “Raspodjela prema radu medu kolektivima” [Distribution according to work between collectives], *Nasa stvarnost*, no. 1 (1962), pp. 52–66; idem, “Fundamentals of a Theory of Distribution in Self-Governing Socialism,” *Economic Analysis and Workers’ Management*, nos. 1–2 (1976).

The dominant group of economists in Yugoslavia believes that net income of the enterprise should contain at least a part or all effects from monopoly power on the market and other forms of monopoly. See, for example, M. Korač, *Problemni teorije i prakse socijalističke robne proizvodnje u Jugoslaviji* [Problems of theory and practice of socialist material production in Yugoslavia] (Zagreb: Globus, 1965).


This paper was prepared for seminar presentation in March and completed for publication in December 1988, about six months before the 1989 Greek national elections. A short postscript was added and minor adjustments were made after the June 1989 elections. I owe a debt of gratitude to several colleagues who commented on earlier drafts, but I am uniquely responsible for the arguments and views contained in the paper. I have refrained from presenting quantitative estimates of economic change even where the statistical information is available in Greek currency (drachma), because the complex interaction of domestic inflation and changes in foreign exchange rates during the period under discussion make it difficult to express the various macroeconomic magnitudes in constant dollars. Some of my arguments rely on direct observation that cannot be documented for lack of statistical or other quotable evidence.

As far as I know, there is no consistent theoretical framework for the systematic analysis of the processes of social transformation. Alec Nove’s *The Economics of Feasible Socialism* (London: George Allen & Unwin, 1983) is an effort in this direction. It is more relevant, however, to the question of what may constitute “feasible socialism” than to the dynamics of reaching it.


The platform followed the program set out in the “3rd September 1974 Manifesto” of PASOK, also known as the “Little Green Book.”

5. It is also referred to as the Communist Party of the Exterior, because of its rather orthodox ideology oriented toward the USSR. In contrast, the Communist Party of the Interior, no longer in existence, had a Western orientation somewhat akin to Eurocommunism. This party failed to obtain Parliamentary representation in the elections, and gave up its independence in 1987 by forming part of a new political party organization, the United Democratic Left.

Until a recent legislative change introduced by the PASOK government, the anachronistic institution of a debtor’s jail had been maintained while tax evasion had not been a criminal act. Corruption is not confined to the taxpayer alone. At very great cost to the fisc and private citizens, tax collectors and other officials have well-known ways of extorting money from the public at large. In some instances, corruption has been alleged to have reached high political and governmental levels.

According to the most recent estimates, the actual or realized GNP may be by at least 40 percent higher than the official statistic, and the corresponding revenue loss may be sufficient to cover the government budget deficit (see “The Two Wounds of the Greek Economy,” *Epikerotita* [13 August 1989] [in Greek]; the author, Costas Kalivianakis, is former governor of the Bank of Attika and currently director of a research project on the “underground economy” at the Mediterranean Foundation in Athens).

Actually, the question has been tested by opinion polls that are, however, not in the public domain.

The future of the bases is still under negotiation.

Many exiles and their offspring decided to return. Of those who were brought up and educated abroad, quite a few found government, teaching, and research employment in Greece, and have contributed to the establishment of commercial and cultural connections with the countries of their exile.

The Greek government has repeatedly offered to submit the matter to adjudication by the International Court in the Hague, but the Turkish government has steadfastly refused to go along with this proposal.

Although the PASOK support for the PLO was viewed with hostility by the Israeli lobby in the United States, the government had *de facto* recognized the 1967 borders of Israel.

Legislation of women’s rights was not universally popular within PASOK. But even the diehards realized the importance of women’s votes, and the increasing political power of the women’s organization, in which Margaret Papandreou, the Prime Minister’s former wife, had a leading role. Legislation is, of course, only the first step toward the attainment of equality. Affirmative action, as a needed follow-up to legislation, has been lagging.

Adequate restructuring of the administrations and rationalization of the technical organizations would have increased the respective capacities of the delivery systems even with the existing facilities. But beyond that, the rate at which education and health services can be expanded depends in large measure on the rate at which additional professionals can be brought into the system. This is the case even where capital substitution for service personnel is possible. Since professional education requires long training periods, the rate of expansion is correspondingly slow. But equally important is a change in attitude by the members of the respective establishments concerning the nature and form of delivery of the services that in their traditional forms may not be compatible with social goals. The broadening of health services requires a much greater emphasis on epidemiology (prevention) than traditional medicine, whose primary focus is on individual care. And broad-based public education requires a reorientation toward disciplines that are in line with the needs and aspirations of the population at large. Such
changes are not necessarily welcomed and may even be sabotaged by the professionals of the service establishments, as in fact has been the case in Greece.

According to a recently published study by Efthalia Kalogeropoulou (“Election Promises and Government Performance in Greece: PASOK’s Fulfillment of its 1981 Election Pledges,” European Journal of Political Research, 17: 3 [May 1989]), “while [the PASOK government] did not totally transform Greek society, it did promise a number of reforms, the majority of which were carried out on the political level.” This conclusion was based on a comparison of the structure of state expenditures under the preceding ND government and the first term of the PASOK government. The policy changes followed the ideological differences between the two parties: “law and order for ND, welfare for PASOK.”

Average earnings in manufacturing changed in real terms as follows: in 1982, +10.4 percent; 1983, −0.7 percent; 1984, +6.6 percent; 1985, +0.4 percent; 1986, −9.4 percent; 1987, −5.5 percent. In overall terms, the share of wages and salaries in nonagricultural incomes was reported to have increased from about 58 percent in 1981 to about 62 percent in 1987 (Bank of Greece). But these figures are based on official income estimates that exclude unreported incomes (see note 8 above).


The “problematic enterprises” originally became unprofitable in large measure because of the owners’ policy of operating with highly unfavorable debt/equity ratios. The debt increases were made possible under previous governments by the easy availability of preferential low interest credit, obtained ostensibly for investment and modernization, but frequently as a means for moving capital abroad.

The takeover of the 39 firms by the government resulted in the protection of about 10,000 jobs, but at a very large cost to the government and the economy in general. This is a cost over and above the enormous accumulation of mostly nonperforming loans owed to the banks, which continues to grow at an alarming rate (see, e.g., Greece’s Weekly, 8 August 1988).

Arguably, it would have been preferable for both labor and capital to liquidate these ailing firms. Then the funds could have been used for retraining workers and creating new, state-of-the-art industrial employment through a vigorous investment program. Lacking trust, both labor and capital were strongly opposed to any such solution.

Of these amounts the share of the public sector’s foreign indebtedness was about 66 percent in 1981, 75 percent in 1985, and 85 percent in 1987 (Bank of Greece).

For example, according to a statement to Parliament by the Prime Minister, certain elected representatives of the right (whose names he withheld from the public but offered to reveal to the leader of the right-wing opposition) were alleged to have approached foreign bankers with the suggestion that foreign credit should be denied to Greece under the PASOK government.

Contrary to declared intention, the size of public-sector employment continued to grow significantly under PASOK management.

For problems of reconstruction in socialist economies, see J. Kornai, Contradictions and Dilemmas (Budapest: Corvina/MIT Press, 1985). The parallels between the difficulties encountered in socialist bloc countries and in democratic countries attempting a social transformation while tied into the capitalist world economy are striking.


R. Cayrol, cited in Johnson, p. 158.


Verbal reply to author at the Labour Market Adjustment Conference, York University, Toronto, 11 December 1986.


R. Michels, Political Parties [1915] (New York, 1972). It is worth noting that one of the very few Marxists of the time who took Michels’s “iron law” seriously enough to engage with it was Bukharin. See his comments on Michels’s “very interesting book” in N. Bukharin, Historical Materialism: A System of Sociology [1921] (Ann Arbor, 1969).


Interview with David Blunkett in M. Boddy and C. Fudge, Local Socialism (London, 1984), pp. 244–45.


Speeches by Tony Benn (Nottingham, 1974), pp. 277–79.


Quoted in The Observer (3 April 1966).


Quoted in Tribune (11 September 1987).

The Times (10 December 1985).


This statement is sometimes attributed to G.D.H. Cole, although I have not been able to confirm it.


The dialectic of capital claims its objectivity for being independent of human judgment. On the “stage” of the dialectic of capital human beings do appear as capitalists, commodity-owners, workers, etc., but only as personifications of capital or as embodiments of the logic of capital, playing out as it were nothing but capital’s scenario. Human beings “in flesh and blood” capable of judgments independent from capital watch as spectators what is played out on the stage, reacting to it with human emotion. This doubling of human beings into the wire-pulled puppets on the stage and the critical observers off the stage is vital to the understanding of the interpretation of Marxian economics advanced here.

The claim of historical materialism that capitalism is the last class-antagonistic society with which the prehistory of mankind ends smacks of Judeo-Christian theology. Such a thought cannot occur to those outside that religious tradition. A Chinese communist, for example, can adopt historical materialism in its finished form, but cannot himself invent it. Whatever may be the meaning of the religious dogma, its blind application to matters of human society is dangerous, inasmuch as it engenders the false expectation that, once set on the right track by a revolution or some such cataclysm, society automatically takes care of itself in achieving a secular paradise or a classless society known as socialism. See, below, the beginning of section IV. A sensible theory of socialism should begin with the rejection of such a questionable dogma.

By “the commodity-economic conception of history” Uno meant the capitalist (or liberal) outlook on history, a belief propounded by Adam Smith and shared widely by classical economists, that all (primitive) societies develop eventually into (civilized) capitalism. Marx’s materialistic conception of history differs from it only in including capitalism as well in the prehistory (primitive stage) of mankind. The difference is either fundamental or trivial depending on how one interprets the history of mankind. If the most efficient use of economic resources, the unleashing of productive powers, material affluence and abundance, etc., are the goal of human society, it makes little difference whether the end product is called capitalism or socialism. The difference becomes real only when such “economistic” goals are abandoned, i.e., when such a liberal and “materialistic” outlook is overcome. What is needed is to transcend economism by coming to grips with the upside-down character (invertedness) of capitalism.

Capital is the god of the market. Feuerbach’s theory of anthropomorphism (Ludwig Feuerbach, *Lectures on the Essence of Religion*) teaches that man creates god by extrapolating his essence and making it infinite. But once god is created, what comes from him, the lord, is surely different from what comes from man, his servant. Capital is also originally man’s creation. That calculating, rational, and greedy part of man is made transcendental and infinite and called capital. Once it becomes an independent being, however, capital far exceeds man’s finiteness. It has become the god of ultimate rationality who presides over the market. Studying economics is essentially experiencing
how capital develops out of man. This explains why most economists acquire in the course of their training the unshakable faith in the rationality and beneficence of the market and can never again recover from their deep self-hypnotism. If the market “fails,” they do not regard it as due to any failure of its principle but to the lack of competition, free enough trade, private initiative, etc. What is to be blamed is not the god of the market but our humanly errors which may have caused monopoly, externality, decreasing cost, complementarily, etc. What makes Marx’s dialectic of capital stand out amongst the body of economic theory is its awareness and critique of this subservience of man to capital as the “upside-down” character of economics.


Neoclassical economics has consistently described production as a strictly technical process of transformation of inputs into outputs with the concept of “production function.” In Marxian theory production (the transformation of part of nature into use-values) is viewed as dual, consisting of both the production process and the labor process. The production process is the technical aspect of production whereas the labor process sees it as man’s interface with nature. The Marxian concept is, therefore, richer than the neoclassical one, but there is a considerable measure of anthropocentrism even in the concept of the labor process, since it is specifically understood as man’s purposive action on nature, i.e., as part of man’s conquest of nature. The idea of “industrial” production is not only mechanical and physicalistic but also anthropocentric.

Nicholas Georgescu-Roegen, The Entropy Law and the Economic Process (Cambridge, Mass.: Harvard University Press, 1971); Entropy and the Economic Process. A Seminar (Science Council of Canada, 1980); Yoshiro Tamanoi, Atsushi Tsuchida, and Takeshi Murota, “Towards an Entropic Theory of Economy and Ecology,” Economie appliquée, 37, 2 (1984), pp. 279–94. The following passage comes from the introductory section of the last item. “Going back to its original definition by Rudolf Clausius, we find the entropy as a quantitative measure of the dissipation of heat, or of matter. More intuitively speaking, it can be interpreted as a degree of dirtiness of heat or of matter. In our daily lives, we observe high entropy heat as waste heat and high entropy matter as waste materials…. Entropy is a fundamental attribute of heat and of matter, and it is a physical quantity having the dimension of calory/absolute temperature” (pp. 279–80).


A close parallel between the positions of agriculture and women under capitalism may be pointed out here. Feminists are not always aware that the repression of women in a bourgeois society differs from that in premodern society, and attribute both to trans-historical male chauvinism. A feudal-military society expects men to command and women to obey because of its “naturalistic” conception of society. Whether this role-assignment is fair or foul, the ideology views both nature and society as hierarchical and it enjoins us against defying the “order of things.” The discrimination therefore comes from the recognition of the difference of the sexes. In contrast a bourgeois society views men and women not only as equal but essentially the same (unisex). It does not recognize the difference of the sexes. When this principle is applied to the marketplace, women inevitably fall behind because they are not as “disembeddable” as men. Just as agriculture is told in vain to be like industry women too are told to be like men in order to be more successful, which advice works only in the public sphere. The liberation of
women based on the bourgeois principle of unisex-ism is doomed to fail because, when it succeeds one-hundred percent, the private sphere, the source of life, has been eliminated. What is needed clearly is to liberate women in the private sphere of life rather than forcing them out of it into the public sphere. But we can see that capitalism is unlikely to accomplish this in view of its poor track record with regard to agriculture.

Polanyi, *Great Transformation*. Polanyi’s contrast of the 1920s and the 1930s is especially revealing. Uno also held that World War I was the last “imperialist” war, the outbreak of which foretold the end of capitalism. See Sekine, *Dialectic of Capital*, vol. 1, pp. 90ff.

I owe the idea of this diagram to Dr. Kazuki Kurnamoto. Actually I have fashioned this one by bringing together several of his diagrams which he used to explain much the same factual development in greater detail in an unpublished monograph.

There is no shortage of perception and imagination as such, as the following interesting books attest: Rudolf Bahro, *From Red to Green* (London and New York: Verso, 1984); André Gorz, *Farewell to the Working Class* (London: Pluto Press, 1982); idem, *Paths to Paradise* (London, 1983).

Tamanoi’s extensive writings in Japanese on the economy of the living system have not yet been translated into English. However, apart from the item quoted in note 7, a short article entitled “Economy of the Living System” is being translated by Tamanoi’s student, Mr. Makoto Maruyama, and will be made available shortly.

This is not a place to expand on the concept of value. But according to the teaching of the Uno School a commodity relation first arises between two more or less self-sufficient communities and then, once it becomes regular, makes inroads into them. If in those communities labor power too is transformed into a commodity, the communities become saturated with commodity relations and become capitalist societies. Their substantive economic life is “subsumed” by the mercantile principles which come from the outside. This process of subsumption is the process of value prevailing over use-values, i.e., the process in which the merchant’s indifference to use-values subordinates the consumer’s concern over use-values. In capitalism commodities are not produced as use-values but simply as value. Value in this sense is the basic principle that governs capitalist society.

Polanyi, *Great Transformation*.


“A tenant of a holding shall have full right to practise any system of cropping of the arable land on the holding and to dispose of the produce of the holding without incurring any penalty, forfeiture, or liability, provided that he shall have previously made suitable and adequate provision to protect the holding from injury or deterioration, which provision shall in the case of disposal of the produce of the holding consist in the return to the holding of the full equivalent manorial value to the holding of all crops sold off or removed from the holding in contravention of the custom, contract, or agreement.” T.C. Jackson, *The Agricultural Holdings Acts, 1908–1914* (London: Sweet and Maxwell, 1917), p. 113.

Indeed, contrary to what economic theory presupposes, there was no easy intersectoral flow of human resources between agriculture and industry. The work ethos of the agriculturalist and the industrialist being different, the mobility of people between the country and the cities always involved painful sociological experience.
Garrett Hardin, “The Tragedy of the Commons,” *Science*, 162 (1968), pp. 1243–48, reprinted in Herman E. Daly (ed.), *Economics, Ecology, Ethics* (San Francisco: W.H. Freeman, 1973), pp. 100–14. It must be remarked, however, that the “tragedy” does not occur on a commons, unless “as a rational being, each herdsman seeks to maximize his gain” (p. 104). It was not simply because “the numbers of both man and beast [were kept] well below the carrying capacity of the land” that overgrazing could be averted in premodern societies. It was also because the herdsman was not yet corrupt by the “worship of filthy lucre.”

This expression comes from Wendell Berry, *The Gift of Good Land* (San Francisco: North Point Press, 1981). The author emphasizes the difference in the philosophies of agriculture and of mining.

James Burnham, *The Managerial Revolution, What is Happening in the World?* (New York: John Day, 1941); John K. Galbraith, *The New Industrial State* (New York, 1967). Burnham’s book published on the eve of America’s entry into World War II contains brilliant analyses which are still very apropos, even though its failure to predict the overwhelming influence of Keynes renders it somewhat obsolete. Galbraith recapitulates many of Burnham’s ideas in a more urbane and academic fashion, but perhaps with less penetration and incisiveness.

It is well to recall that Uno stated in an article published in 1950 (Kozo Uno, “Sekaikeizai-Ron no Hoho to Mokuhyo,” which may be translated into “The Methodology and the Objective of the Theory of the World Economy”) that socialism in order to be viable must solve not only the internal contradiction of capitalism, i.e., class conflict, but also its external contradiction, i.e., agricultural problems.

See note 4 above. Burnham, *Managerial Revolution*, quite rightly objects to the Marxist’s “assumption” that “socialism is the only alternative to capitalism” a great number of times. The abolition of capitalism does not guarantee automatically the coming of socialism.


The fundamental distinction between “qualitative” and “quantitative” goods has not been sufficiently emphasized. In an industrial society the general tendency is to mass-produce even final consumption goods as if they were quantitative intermediate goods. But this means that the whole society is taken hostage by the production managers and designers. In the case of sophisticated consumer durables whose operation needs to be learned through reading a thick user’s manual, this may be to some extent unavoidable. In such a case, the consumer needs to decide only whether he wants the thing or not, and how much he is prepared to spend. For the rest his choice is academic. If this trend is universalized, eventually the consumer needs to declare only “I want to live and this is my income.” An expert can decide for him how he should live, making the best of his money’s worth. Not much room will be left for the philosophy of “free to choose.” These estimates are at the outside, since the “cities” should also absorb a considerable portion of the population, say, between one-quarter to one-fifth. It is outside the scope of this paper to speculate what sort of population policy the communities and the cities may
sensibly adopt in the future society. I only assume that the nation is self-sufficient in food.

The civil servants of the state including the operators of the state factories are to reside in metropolitan cities.

This is another way to safeguard against the domination of the consumer by the producer. See note 28 above.

The shares of the state factories may in part be owned by the state, and in part by communities. In fact, it is important that the communities whose environment is directly affected by the activity of the state factory should own its shares in addition to being its landlord. Then the communities have enough stake in the operation of the state factory to adequately control its choice of techniques. It is true that the control of the planet-threatening pollution requires not only national but international legislation. But the source of pollution is always local. If there is no local incentive to control pollution at the source, a piece of legislation would remain a dead letter and the cost of policing would be prohibitive.

Even if all the capital goods in the community are owned privately and all the products are sold in a free market inside the community, that does not make the community a small capitalist nation. The community can produce only qualitative goods, mainly for internal consumption. In order to accumulate, more quantitative goods must be purchased. But since they are purchased in the first instance by the community with its property income, they are not immediately at the disposal of the private entrepreneurs. The community is a club-like organization which determines the allocation of its resources through the mechanism of direct democracy.

I mean “mainly for local consumption” since eventually the communities must produce qualitative goods for “cities” as well. Many Canadians react to this idea by asserting that Florida oranges and California grapefruits are indispensable items of their consumption. If so the community may democratically elect to spend some of its property income on American citrus fruit instead of quantitative goods. If the “trade-off” is reasonable the members of the community may perpetuate their relatively recent addiction.

In order to make the first several experiments successful a board of highly educated individuals and other wise people should be established in each case not only to oversee and monitor the coming into being of the community, but also to be ready on hand to assist it in every possible way if and when any difficulty arises in the course of its development.

As far as possible an equal distribution of property incomes among the communities must be ensured so that no community should be either too rich or too poor per capita of its population relative to the average. But since the use of property incomes is limited in principle to the purchase of quantitative goods from the outside, what remains as savings may be taxed heavily by the state for transfer to other communities with negative savings. Concrete strategies are to be worked out in light of actual experience.

As already stated large corporations should not be in the sphere of direct consumer services (whether in the production of final consumption goods or in the provision of services) anyway. Hence the faster they withdraw from this sphere the better. See note 28 above.

This provision is to ensure that the scope of the market in qualitative goods is properly circumscribed. Notice that in the picture of the future society all of what Polanyi called
the methods of economic integration: reciprocity, redistribution, and exchange are at work, but none overwhelming the others. These may be alternatively called the principles of cooperation, planning, and the market. The socialists have tirelessly talked about planning versus the market as if they were the only two principles of economic organization. I have instead emphasized the third principle of cooperation or mutual aid. This is what the anarchists have always demanded, especially Kropotkin and his followers. Originally, socialism and anarchism were closely related. They should again be reunited. For by separating from each other they have both become ineffective as a plausible alternative to the existing society.

Due to the limitation of space certain concrete problems of vital importance such as defense, international trade, administration of justice, human rights, provisions in case of a natural calamity, etc., could not be discussed in this paper. But I see no reason why they cannot be satisfactorily worked out, once the viability of the state is in principle ensured.

Martin Heidegger writes—albeit within a context different from ours—that the “polis is the historical place, the there in which, out of which, and for which history happens.” An Introduction to Metaphysics, translated by R. Manheim (New York, 1961), p. 128.

Politics, 1253a, quoted according to E. Barker’s translation (New York, 1962).

Ibid., 1287a.

Politics, 1253a.

Law is not a mere covenant (Politics, 1280a). But it has an element of convention, which is the necessity to have the law declared (not enacted) by legislators. The Politics of Aristotle, edited and translated by E. Barker, p. 367 (editor’s commentary on the treatment of justice, law, and equity in Aristotle’s Ethics).

Replying to Socrates’s claim that the greater the unity of the state the better (Republic, 463b), Aristotle says, in effect, that unity should not be mistaken for sameness. Indeed, there is a point at which a polis, seeking unity, will cease to be a polis (Politics, 1261a, 1263b).

Ibid., 1286a, 1287a.

City of God, edited by V.J. Bourke (New York, 1958), mainly Book XIX, chs. 5 (the life of saints is social) and 15 (God meant no man to have domination over man; servitude is the result of sin). At the same time, Augustinus appears to approve of individual property (e.g., XV, 16 and XIX, 21) and even of slavery, at least to the extent that it is penal (XIX, 15).


Politics, 1263a.


Ibid., §§ 257, 258, 261.


Ultimately, the state itself is a level of mediation: as the mind of a nation, a mind “restricted” by having “a history of its own,” it “passes into the universal world history,
the events of which exhibit the dialectic of the several national minds—the judgment of
the world.” Hegel’s Philosophy of Mind, Part Three of the Encyclopedia of
Philosophical Sciences (1830), translated by W. Wallace (Oxford, 1985), paras. 341,
352, 548. See also the Philosophy of Right, §§ 341, 352.

“Permanent revolution” appears for the first time in Marx’s article “On the Jewish
Question,” written in 1843. See K. Marx and F. Engels, Collected Works, vol. 3 (New

“Contribution to the Critique of Hegel’s Philosophy of Law,” ibid., p. 48.
See mainly Marx’s address “The Civil War in France,” part III, Selected Works, vol. 2
(Moscow, 1977), pp. 217–30; and Lenin’s “The State and Revolution,” chs. III and
Ibid., pp. 510–14.
Rosa Luxemburg, The Russian Revolution, translated by B.D. Wolfe (New York, 1940),
mainly chs. V, VI, VIII.
Hegel and the Human Spirit, A Translation of the Jena Lectures on the Philosophy of
Spirit (1805–6), translated with commentary by Leo Rauch (Detroit, 1983), pp. 93, 112.
Philosophy of Right, § 52. The resistance resides in the sheer positivity of the object’s
being—not in a counter-project, which would imply negativity and which is the
prerogative of the subject.
paras. 178, 191, 508, 652.
Herbert Marcuse, Reason and Revolution: Hegel and the Rise of Social Theory (Boston,
separate individuality, comes as such into existence, so that it exists for
others” Phenomenology of Spirit, para. 508.
Philosophy of Right, §§ 71, 36.
“German Ideology,” ch. I; Selected Works, vol. 1, p. 32.
Henri Lefebvre, Le langage et la société (Paris, 1966), p. 38. See also pp. 19–20 where
Lefebvre contrasts the Hegel-based position of Merleau-Ponty and of modern linguistics
with the Marx-based position of Sartre.
K. Marx and F. Engels, “Economic and Philosophic Manuscripts of 1844,” Collected
K. Marx, “Contribution to the Critique of Hegel’s Philosophy of Law,” Collected Works,
vol. 3, p. 31.
G.W.F. Hegel, Phenomenology of Spirit, para. 400. K. Marx, Capital, vol. 1, p. 174,
“The Labour Process….”
Philosophy of Right, § 52R.
This is Marx’s term; see again Capital, vol. 1, ch. VII.
"Rationality' is to be understood as the consistent choice of action calculated to achieve what is desired, given the possibilities.... The question of rationality or irrationality is therefore a question of the appropriateness of means, given the ends, and neither requires or implies any judgment about the ends." G.C. Archibald and R.G. Lipsey, An Introduction to a Mathematical Treatment of Economics (London, 1973), p. 157. As for Kant, see Jürgen Habermas, Theory and Practice, translated by J. Viertel (Boston, 1974), p. 151.

Roughly speaking, classical utility theory (starting with Bentham) was normative, while the neoclassical economic theory sees itself as descriptive: "the consumer's market behavior is explained in terms of preferences, which are in turn defined only by behavior." The "individual confronted with given prices and confined to a given total expenditure selects that combination of goods which is highest on his preference scale." Paul A. Samuelson, Foundations of Economic Analysis (New York, 1971), pp. 91, 97–98. Emphasis mine. There are, of course, various intermediary positions. For instance, R.D. Luce and H. Raiffa write that "game theory is not descriptive, but rather (conditionally) normative. It states neither how people behave nor how they should behave in an absolute sense, but how they should behave if they wish to achieve certain ends." Games and Decisions (New York, 1967), p. 63.


Saving of labor is said to be "identical with development of the productive force." This statement denies that "abstinence from consumption" is involved. Yet to the extent to which new technologies are "embodied," they require material investments that in any economic system compete with immediate consumption demands. (See also section 5 below.) From the point of view of the "direct production process," saving of labor time can be "regarded as the production of fixed capital, this fixed capital being man himself." The creativity with which this kind of capital is endowed will then "react back upon the productive power of labor as itself the greatest productive power." Ibid., pp. 711–12.
description concentrates on the labor process legitimately guided by instrumental rationality (R₁), rather than pointing to man stepping out of this process to make socially responsible decisions about new technologies which will affect not only things, but also the people themselves (so that the choices properly belong to the sphere of R₂).

Ibid., p. 713.

The German word Sittlichkeit is derived from Sitten, meaning “customs.” In its turn, the last term is understood as “ethical life” (das Sittliche) in the sense of the “general mode of behavior” characteristic of individuals who “are simply identified with the actual order.” This is also why Hegel writes that the “state exists immediately in custom,” that is, in man’s initial immersion in the norms he was born into. Philosophy of Right, §§ 151, 257. It is not difficult to see that this framework was seen by Marx as static, fixed, and inimical to the interests of the working class that needed a fundamental change in the society’s norms and its perception of needs. One of the best known expressions of this attitude is his and Engels’s statement that, to the proletarian, “morality” is just one of the “bourgeois prejudices, behind which lurk in ambush … bourgeois interests.” “Manifesto of the Communist Party,” Selected Works, vol. 1 (Moscow, 1973), p. 118. The word “morality” covers here both the morality of Kant and the “ethical life” of Hegel. This is the basis of Steven Lukes’s analysis of “morality” in Marx; see his Marxism and Morality (Oxford, 1985), mainly chapter 3.

See, e.g., the quotation cited in note 33, above.

Jürgen Habermas, Knowledge and Human Interests, translated by J.J. Shapiro (Boston, 1971), pp. 197–200.


“German Ideology,” p. 20.


History and Class Consciousness, translated by R. Livingston (Cambridge, Mass., 1986), p. xviii. It remains, of course, a question to what degree was Lukács’s self-criticism a voluntary act. In addition, Lukács ought to be given credit for having initiated the discussion of some of the concerns expressed in this paper’s view of Marx.

J. Habermas, Theory and Practice, pp. 168–69.


In the Encyclopedia, Hegel treats property and contract under the heading of Law, or Right as Right (both being synonyms for formal, abstract right). Hegel’s Philosophy of Mind, § 487.

While in exile, Leon Trotsky acknowledged that Soviet bureaucracy attained a higher degree of independence from the “dominating” class than had bureaucracy in any other state, past or present, with the exception of Hitler’s Germany and fascist Italy. However, he still argued that the Soviet “apparatus” of the party, the state, and the armed forces failed to attain the position of a ruling class; the reason being that its “independence” was not based on the property relations characteristic of the society. In other words, even
under Stalin, social ownership of the means of production prevailed and the workers formed the “dominant” class. The main proof of this contention was that bureaucracy “has not yet created social supports in the form of special types of property,” such as stocks, bonds, or inheritance laws allowing for the transfer of bureaucratic positions from father to son. See The Revolution Betrayed, translated by M. Eastman (Garden City, N.Y., 1937), pp. 248–49. See also I. Deutscher, The Prophet Outcast: Trotsky 1929–1940 (London, 1963), pp. 202–8, 302–11. Unfortunately, Trotsky failed to see that the bureaucratic rule itself amounted to a transfer of property to the wielders of power. If a peasant is tied to his village for life; if he cannot leave his domicile without permission from the authorities even for a short span of time; if his son cannot attend a university or go to work in the town without such a permit: then it is a misuse of language to say that he is a co-owner of the kolkhoz in question. On the contrary, it is the bureaucracy that “owns” him through the perverted institution of “kolkhoz.” However, this critique is not meant to detract from the importance of the stress—in Trotsky’s later works—on politics and democratic processes in a reformed Soviet system.


This is, unfortunately, true also of Hegel’s “system of needs.”


See section III, paras, (b) and (c).

See section V above.


Gunnar Myrdal was not alone in believing that “comprehensive and complete planning” is likely to be beneficial in the “initial stages of underdevelopment.” Beyond the Welfare State (New York, 1967), p. 103.


In principle, these limitations could be overcome by the application of the techniques of mathematical programming. In practice, however, these techniques have been used not
as a basis of planning, but only as a kind of check on the procedures adopted by the actual planners. One of the first attempts of this kind is discussed in J. Kornai’s paper “Mathematical Programming as a Tool of Socialist Economic Planning,” reprinted in Socialist Economics, pp. 475–88.

The meaning of “basic proportions” is usually decided ad hoc, depending on the purpose of the analysis. Invariably, products have to be replaced by product aggregates, at least for a substantial part of the calculations. It can be easily seen that in the long and tortuous vertical data flows—from the enterprises to the planning centre and back—a lot of the information is lost, partly literally, partly due to incompleteness, error, clogging (too many data to process efficiently) and misinterpretation.


See, for instance, Wlodzimierz Brus, The Market in a Socialist Economy (London, 1972), p. 146. Also, Šík, pp. 272–75; Kosta, Meyer, and Weber, pp. 199–201. The institutional basis of the present (late 1980s) “wave” of economic reforms in the USSR is still in the process of formation. It seems, however, that, even if the range of centrally determined prices were reduced substantially (from the pre-reform number of 500,000), they would still prevail in all “essential” (“staple”) products (such as “fuel, electricity, the most important raw materials, rolled steel machinery, and some consumer goods”). As for monopolies, the intention is to “end” them, partly by administrative measures, partly by the creation of “parallel enterprises or economic organization.” Abel Aganbegyan, The Economic Challenge of Perestroika, translated by P.M. Tiffen (Bloomington, Ind., 1988), pp. 119, 128, 131, 134–35.


In the fixprice regime, the loss of output (employment) is larger than in the flexprice world because the adjustment to a fall in demand affects only quantity, not also the price (the wage rate).

Brus, pp. 130–40; Šík, pp. 188–89; Radoslav Selucky, Economic Reforms in Eastern Europe: Political Background and Economic Significance (New York, 1972), p. 141. (The reference is not to a general statement, but to the description of the late 1960s
Hungarian reforms. These reforms were, however, of special importance because—after the discontinuation of Czechoslovak reforms in 1969—they became the sole representatives of more incisive changes, as compared with the narrowly circumscribed reform attempts in the GDR and USSR.) As for the present Soviet economic reforms, it appears that the state will continue to implement "an overall wages policy, mainly through a centrally established system of pay scales for workers." Also the "incremental norms" (roughly, the coefficients of wage growth per one percent of output growth, linked also to productivity growth) would be determined centrally. See Aganbegyan, pp. 165–67. F.I. Kushnirsky, "Soviet Economic Reform: An Analysis and a Model," in S.J. Linz and W. Moskoff, eds., Reorganization and Reform in the Soviet Economy (Armonk, N.Y., 1988), p. 46. In this way, the linkage between wages and the enterprises’ economic performance would still be mediated by a rather unwieldy system of overall, exogenously determined indicators.

Hicks, p. 83.

Ibid., p. 85.


J. de V. Graaff, Theoretical Welfare Economics (Cambridge, 1967), p. 103. The argument presupposes an absence of perfect forward markets for all commodities, markets extending indefinitely into the future—but that is one of the most realistic assumptions to be introduced into economic reasoning.

E.g., Brus, p. 140; Šík, p. 231; Selucky, p. 141 (as in note 82, the reference is to Hungary). See also Kosta, Meyer, and Weber, pp. 183–84.


Ibid.


G. Khanin and V. Seliunin, "Lukavaia tsifra" [The Cunning Figure], Novyi mir, 1987, no. 2 (in Russian).


In this article I am dealing with problems of the mixed economy in real socialism on the basis of Polish experiences. But I believe that other countries of Central and Eastern
Europe are, or will be, facing similar problems on the road to transformation. This paper is a continuation of my study “On Crucial Reform of Real Socialism,” in H. Gabrisch (ed.), Economic Reforms in Eastern Europe and the Soviet Union (Boulder: Westview Press, 1989), and this is why I skip the issue of political conditions and framework boundaries for the transformation as well as the question of the functioning of a mixed economy with a predominance of non-private and non-state forms of property. The underlying assumption is that the economy in question would be a market economy with limited strategic planning.

In “What Remains of Marxism” she wrote, “Socialism has not emerged out of advanced capitalism, but has turned up in societies at stages far back in the Marxian series, while capitalism continues to flourish side by side with the new economies.” J. Robinson, Collected Economic Papers, vol. 3, p. 158.

Otto Bauer, Zwischen zwei Weltkriegen (Prague, 1936). That book was never published in Polish.


Here is a good illustration of that. Several years ago when the left-wing monthly Zdanie [Point of View] appearing in Kraków published a selection of Hayek’s texts, the Hayek-Lange dispute was not mentioned at all. When a similar selection of Ludwig Mises’s texts was published more recently, a telling note was appended to the contribution saying that “His [Mises’s] findings concerning the question of calculation in socialist economy were confirmed by reality in a spectacular manner (Oskar Lange, who challenged Mises on that matter, displayed more ideological commitment than analytical expertise).” Zdanie, 12 (1989).


The charter says, among other things, “Private ownership of property is the practical side of the Christian principle of auxiliariness, which implies that public life should concentrate mainly in intermediate groups situated between the human individual and the state.” The Laborem Exercens appears to belong to a different, even opposing current of social thinking.


The Party has a long record of about-faces. But even Walesa shifted recently from a self-management to a property rights inclination. Right after sending a letter of support to the Self-management Forum, he said in the interview, “Elsewhere in the world, management is a responsibility of directors, computers…. Self-managing bodies could become something like public control bodies, making sure that all wheels are turning in the right direction…. Now we have first got to change the ownership system. I am not speaking about capitalism or any other system, but I would like to see things this way: when I enter the shipyard I should feel a little part of it belongs to me too.” Tygodnik Robotniczy [The Workers Weekly], 6 (1989).


See, for instance, “For twenty years I have dabbled in designing a better economic system for Poland. But now I am against such design games ... let all kinds of ownership forms be in the ring, all kinds of private initiative, and let them compete against one another to see which of them is the best one.” “Bez pointy dyskusja,” Dwadziescia jeden, 3 (1986), p. 13.

J. Lewandowski and J. Shomburg, Ułaszczenie jako fundament reformy społeczno-gospodarczej [Endowment as the foundation of socioeconomic reform], report from a seminar on Transformations of the Polish Economy (Warsaw, 1988).


S. Kawalec, Zarys programu prywatyzacji polskiej gospodarki [A Program Outline on the Privatization of the Polish Economy], report submitted to seminar mentioned in note 15.

M. Dabrowski, Własność grupowa jako jedna z dróg przekształcenia własności państwowej [Group ownership as one way of transformation of state ownership], report submitted to seminar mentioned in note 15.

P. Roman, “Przedsiębiorstwo pracownicze” [Employees’ Enterprise, summary of a draft law], mimeographed.


A. Paszyński, ibid. Let me point out a trifle that is not one. In the text you will come across the word “one-sided” in an unusual meaning. It may well have been a misprint (for the Polish word for “unequivocal”), but that may as well have been the price paid for a compromise with the Catholic editors of Tygodnik Powszechny, a journal that is, so to say, obliged to denounce any line of human activity that is morally dubious.

J. Marczewski, the Nestor of Polish emigre economists, published an article called “An Economic System for Poland after Its Liberation,” Kultura, 12 (1987). His idea of a D-Day when “the Polish people will finally be free to choose in a truly free and democratic manner, the political, social and economic system under which it wants to live” seems rather utopian to me. But I want to make clear that Marczewski beats neoliberal economists living in Poland to a firm sense of realism, as he openly acknowledges the great problems and difficulties such as any major transformation of the system is likely to cause.


Ibid.


I should like to thank the members of the economics department of the University of Belgrade for their hospitality and their help in collecting materials during my visits to Yugoslavia in March 1985 and May 1987. I also gained greatly from consultations with colleagues at the Institute of Economics in Zagreb. Special thanks are due to Professor R. Stojanović for arranging my trip to Yugoslavia and numerous meetings with other scholars. I was also privileged to participate in a seminar on Economic Problems in the Communist Countries, led by professors W. Brus, M. Kaser, and F. Seton. Their comments on my working paper on Yugoslavia helped me a great deal. Last, but not least, thanks to the Canada Council. Without their generous financial assistance this project could not have been undertaken. All of these contributions helped to make this study possible. Needless to say, none of the above-mentioned people or institutions is in any way responsible for the views I have expressed, or for errors my analyses may contain.


This summary is based on a statistical analysis of (a) the overall dispersion of wages in Yugoslavia and its republics in general; (b) skill differentials for the federation as a whole and for republics; (c) interbranch differentials for the federation as a whole and for the republics. The reader may obtain these data from the author on request.


See for more detail ibid., Tables 18, 19, 20, 21.


According to official statistics real personal income in 1979–84 declined by nearly 35 percent.


This point is very strongly emphasized by S. Popov in “Intersectorial Relations of Personal Incomes,” Yugoslav Survey, May 1972, pp. 63–80. She tries to prove that there is a very strong correlation between firms with high K/L ratios (usually large by any indicator of concentration) and their size of personal income.

See Vanek, “Yugoslav Economy Viewed through the Theory of Labor-Management.” Other factors are the underdeveloped capital market, arbitrary limits on interest rates, and some of the social agreements.

This terminology to describe the property relations in the firm was first used by Vanek. See J. Vanek, “Identifying the Participatory Economy,” in B. Horvat, M. Marković, and Rudi Supek, eds., Self-Governing Socialism: A Reader, vol. 2 (White Plains: M.E. Sharpe, 1975), which tries to distinguish between ownership of capital assets and the right to enjoy the fruits of material goods that are in their ownership in the traditional sense of the word. In this context it is worthwhile to mention A. Bajt’s concept of the nature of capital in the Yugoslav system. Bajt distinguished ownership of capital from ownership of the particular physical means of production. Society is the owner of capital but the owner of the physical means of production is the collective of the firm. See Bajt, “Social Ownership—Collective and Individual,” in ibid.


Yugoslavs do not call the socialized enterprise a cooperative, but an “organization of associated labor.” The intent here is to distinguish the Yugoslav firm from the cooperative form as far as property rights are concerned. Members of the Yugoslav enterprise do not have individual control over their invested capital as is the case with a cooperative.

It is difficult not to agree with Peter Wiles when he claims that the typical supporter of reinvesting will be the skilled and influential middle-aged worker with a family and a satisfactory house and possibly active membership on the workers’ council. The typical voter for more personal income will be the uninfluential, the mobile workers, etc. See for more detail H. Lydall, Yugoslav Socialism: Theory and Practice (Oxford: Clarendon Press, 1984), pp. 215–18.

Command economies also have substantial interbranch differentials, but they are established by the center in accordance with its preferences. What is more, the differentials are in most cases and most of the time smaller than in market-oriented systems.


Kalecki can be considered a pioneer of the efficiency wage concept. In his seminal paper of 1943, “Political Aspects of Full Employment” (in Selected Essays in the Dynamics of the Capitalist Economy, 1933–1970 [Cambridge: Cambridge University Press, 1971]), Kalecki claims that unemployment is necessary to maintain work discipline and work intensity on the shop floor.

See Estrin, Self-Management, Appendix B, Table B4. International comparisons made by Kruger and Summers (1986), Tables 2.3 and 2.4, using a different set of econometric tools, indicate that in many Western countries, the dispersion of wages between branches is greater than in Yugoslavia.

Some well-known Yugoslav economists, such as Horvat, Bajt, and B. Marendic, believe that it would be possible to guarantee enterprises equal economic opportunity only if worker collectives were permitted to retain only those net incomes which are a result of their labor contribution and quality of management, and not effects linked with better capital endowment and market conditions. It should be stressed, however, that the concepts of labor contribution used here are ambiguous. In one instance the labor contribution means effort, intensity of work, education, and skill; in another it means the result of work in terms of output. See A. Bajt, “Dohodna cena kak normalna cena u našoj privredi” [Income price as a normal price in our economy], Ekonomist, no. 4 (1964); B. Horvat, “Raspodjela prema radu medu kolektivima” [Distribution according to work between collectives], Nasa stvarnosta, no. 1 (1962), pp. 52–66; idem, “Fundamentals of a Theory of Distribution in Self-Governing Socialism,” Economic Analysis and Workers’ Management, nos. 1–2 (1976).

The dominant group of economists in Yugoslavia believes that net income of the enterprise should contain at least a part or all effects from monopoly power on the market and other forms of monopoly. See, for example, M. Korać, Problemi teorije i prakse socijalističke robne proizvodnje u Jugoslaviji [Problems of theory and practice of socialist material production in Yugoslavia] (Zagreb: Globus, 1965).


This paper was prepared for seminar presentation in March and completed for publication in December 1988, about six months before the 1989 Greek national elections. A short postscript was added and minor adjustments were made after the June 1989 elections. I owe a debt of gratitude to several colleagues who commented on earlier drafts, but I am uniquely responsible for the arguments and views contained in the paper. I have refrained from presenting quantitative estimates of economic change even where the statistical information is available in Greek currency (drachma), because the complex interaction of domestic inflation and changes in foreign exchange rates during the period under discussion make it difficult to express the various macroeconomic magnitudes in constant dollars. Some of my arguments rely on direct observation that cannot be documented for lack of statistical or other quotable evidence.

As far as I know, there is no consistent theoretical framework for the systematic analysis of the processes of social transformation. Alec Nove’s The Economics of Feasible Socialism (London: George Allen & Unwin, 1983) is an effort in this direction. It is more relevant, however, to the question of what may constitute “feasible socialism” than to the dynamics of reaching it.

The platform followed the program set out in the “3rd September 1974 Manifesto” of PASOK, also known as the “Little Green Book.”

5. It is also referred to as the Communist Party of the Exterior, because of its rather orthodox ideology oriented toward the USSR. In contrast, the Communist Party of the Interior, no longer in existence, had a Western orientation somewhat akin to Eurocommunism. This party failed to obtain Parliamentary representation in the elections, and gave up its independence in 1987 by forming part of a new political party organization, the United Democratic Left.


Until a recent legislative change introduced by the PASOK government, the anachronistic institution of a debtor’s jail had been maintained while tax evasion had not been a criminal act. Corruption is not confined to the taxpayer alone. At very great cost to the fisc and private citizens, tax collectors and other officials have well-known ways of extorting money from the public at large. In some instances, corruption has been alleged to have reached high political and governmental levels.

According to the most recent estimates, the actual or realized GNP may be by at least 40 percent higher than the official statistic, and the corresponding revenue loss may be sufficient to cover the government budget deficit (see “The Two Wounds of the Greek Economy,” Epikerotita [13 August 1989] [in Greek]; the author, Costas Kalivianakis, is former governor of the Bank of Attika and currently director of a research project on the “underground economy” at the Mediterranean Foundation in Athens).

Actually, the question has been tested by opinion polls that are, however, not in the public domain.

The future of the bases is still under negotiation.

Many exiles and their offspring decided to return. Of those who were brought up and educated abroad, quite a few found government, teaching, and research employment in Greece, and have contributed to the establishment of commercial and cultural connections with the countries of their exile.

The Greek government has repeatedly offered to submit the matter to adjudication by the International Court in the Hague, but the Turkish government has steadfastly refused to go along with this proposal.

Although the PASOK support for the PLO was viewed with hostility by the Israeli lobby in the United States, the government had de facto recognized the 1967 borders of Israel. Legislation of women’s rights was not universally popular within PASOK. But even the diehards realized the importance of women’s votes, and the increasing political power of the women’s organization, in which Margaret Papandreou, the Prime Minister’s former wife, had a leading role. Legislation is, of course, only the first step toward the attainment of equality. Affirmative action, as a needed follow-up to legislation, has been lagging.

Adequate restructuring of the administrations and rationalization of the technical organizations would have increased the respective capacities of the delivery systems even with the existing facilities. But beyond that, the rate at which education and health services can be expanded depends in large measure on the rate at which additional professionals can be brought into the system. This is the case even where capital substitution for service personnel is possible. Since professional education requires long
training periods, the rate of expansion is correspondingly slow. But equally important is a change in attitude by the members of the respective establishments concerning the nature and form of delivery of the services that in their traditional forms may not be compatible with social goals. The broadening of health services requires a much greater emphasis on epidemiology (prevention) than traditional medicine, whose primary focus is on individual care. And broad-based public education requires a reorientation toward disciplines that are in line with the needs and aspirations of the population at large. Such changes are not necessarily welcomed and may even be sabotaged by the professionals of the service establishments, as in fact has been the case in Greece.

According to a recently published study by Efthalia Kalogeropoulou (“Election Promises and Government Performance in Greece: PASOK’s Fulfillment of its 1981 Election Pledges,” *European Journal of Political Research*, 17: 3 [May 1989]), “while [the PASOK government] did not totally transform Greek society, it did promise a number of reforms, the majority of which were carried out on the political level.” This conclusion was based on a comparison of the structure of state expenditures under the preceding ND government and the first term of the PASOK government. The policy changes followed the ideological differences between the two parties: “law and order for ND, welfare for PASOK.”

Average earnings in manufacturing changed in real terms as follows: in 1982, +10.4 percent; 1983, −0.7 percent; 1984, +6.6 percent; 1985, +0.4 percent; 1986, −9.4 percent; 1987, −5.5 percent. In overall terms, the share of wages and salaries in nonagricultural incomes was reported to have increased from about 58 percent in 1981 to about 62 percent in 1987 (Bank of Greece). But these figures are based on official income estimates that exclude unreported incomes (see note 8 above).


The “problematic enterprises” originally became unprofitable in large measure because of the owners’ policy of operating with highly unfavorable debt/equity ratios. The debt increases were made possible under previous governments by the easy availability of preferential low interest credit, obtained ostensibly for investment and modernization, but frequently as a means for moving capital abroad.

The takeover of the 39 firms by the government resulted in the protection of about 10,000 jobs, but at a very large cost to the government and the economy in general. This is a cost over and above the enormous accumulation of mostly nonperforming loans owed to the banks, which continues to grow at an alarming rate (see, e.g., *Greece’s Weekly*, 8 August 1988).

Arguably, it would have been preferable for both labor and capital to liquidate these ailing firms. Then the funds could have been used for retraining workers and creating new, state-of-the-art industrial employment through a vigorous investment program. Lacking trust, both labor and capital were strongly opposed to any such solution.

Of these amounts the share of the public sector’s foreign indebtedness was about 66 percent in 1981, 75 percent in 1985, and 85 percent in 1987 (Bank of Greece).

For example, according to a statement to Parliament by the Prime Minister, certain elected representatives of the right (whose names he withheld from the public but offered to reveal to the leader of the right-wing opposition) were alleged to have approached foreign bankers with the suggestion that foreign credit should be denied to Greece under the PASOK government.
Contrary to declared intention, the size of public-sector employment continued to grow significantly under PASOK management.

For problems of reconstruction in socialist economies, see J. Kornai, *Contradictions and Dilemmas* (Budapest: Corvina/MIT Press, 1985). The parallels between the difficulties encountered in socialist bloc countries and in democratic countries attempting a social transformation while tied into the capitalist world economy are striking.

This paper was originally presented as a lecture given to York University’s “Workshop in Political Economy,” January 26, 1988. This lecture drew extensively on my paper, “Socialist Renewal and the Labour Party,” subsequently published in *The Socialist Register 1988*. Cf., especially for the comments on Alec Nove, my article in *The Socialist Register 1985/6*.


R. Cayrol, cited in Johnson, p. 158.


Verbal reply to author at the Labour Market Adjustment Conference, York University, Toronto, 11 December 1986.


R. Michels, *Political Parties* [1915] (New York, 1972). It is worth noting that one of the very few Marxists of the time who took Michels’s “iron law” seriously enough to engage with it was Bukharin. See his comments on Michels’s “very interesting book” in N. Bukharin, *Historical Materialism: A System of Sociology* [1921] (Ann Arbor, 1969).


Ibid., p. 174.


*Speeches by Tony Benn* (Nottingham, 1974), pp. 277–79.


This statement is sometimes attributed to G.D.H. Cole, although I have not been able to confirm it.


The dialectic of capital claims its objectivity for being independent of human judgment. On the “stage” of the dialectic of capital human beings do appear as capitalists, commodity-owners, workers, etc., but only as personifications of capital or as embodiments of the logic of capital, playing out as it were nothing but capital’s scenario. Human beings “in flesh and blood” capable of judgments independent from capital watch as spectators what is played out on the stage, reacting to it with human emotion. This doubling of human beings into the wire-pulled puppets on the stage and the critical observers off the stage is vital to the understanding of the interpretation of Marxian economics advanced here.

The claim of historical materialism that capitalism is the last class-antagonistic society with which the prehistory of mankind ends smacks of Judeo-Christian theology. Such a thought cannot occur to those outside that religious tradition. A Chinese communist, for example, can adopt historical materialism in its finished form, but cannot himself invent it. Whatever may be the meaning of the religious dogma, its blind application to matters of human society is dangerous, inasmuch as it engenders the false expectation that, once set on the right track by a revolution or some such cataclysm, society automatically takes care of itself in achieving a secular paradise or a classless society known as socialism. See, below, the beginning of section IV. A sensible theory of socialism should begin with the rejection of such a questionable dogma.

By “the commodity-economic conception of history” Uno meant the capitalist (or liberal) outlook on history, a belief propounded by Adam Smith and shared widely by classical economists, that all (primitive) societies develop eventually into (civilized) capitalism. Marx’s materialistic conception of history differs from it only in including capitalism as well in the prehistory (primitive stage) of mankind. The difference is either fundamental or trivial depending on how one interprets the history of mankind. If the most efficient use of economic resources, the unleashing of productive powers, material affluence and abundance, etc., are the goal of human society, it makes little difference whether the end product is called capitalism or socialism. The difference becomes real only when such “economistic” goals are abandoned, i.e., when such a liberal and “materialistic” outlook is overcome. What is needed is to transcend economism by coming to grips with the upside-down character (invertedness) of capitalism.
Capital is the god of the market. Feuerbach’s theory of anthropomorphism (Ludwig Feuerbach, *Lectures on the Essence of Religion*) teaches that man creates god by extrapolating his essence and making it infinite. But once god is created, what comes from him, the lord, is surely different from what comes from man, his servant. Capital is also originally man’s creation. That calculating, rational, and greedy part of man is made transcendental and infinite and called capital. Once it becomes an independent being, however, capital far exceeds man’s finiteness. It has become the god of ultimate rationality who presides over the market. Studying economics is essentially experiencing how capital develops out of man. This explains why most economists acquire in the course of their training the unshakable faith in the rationality and beneficence of the market and can never again recover from their deep self-hypnotism. If the market “fails,” they do not regard it as due to any failure of its principle but to the lack of competition, free enough trade, private initiative, etc. What is to be blamed is not the god of the market but our humanly errors which may have caused monopoly, externality, decreasing cost, complementarily, etc. What makes Marx’s dialect of capital stand out amongst the body of economic theory is its awareness and critique of this subservience of man to capital as the “upside-down” character of economics.


Neoclassical economics has consistently described production as a strictly technical process of transformation of inputs into outputs with the concept of “production function.” In Marxian theory production (the transformation of part of nature into use-values) is viewed as dual, consisting of both the production process and the labor process. The production process is the technical aspect of production whereas the labor process sees it as man’s interface with nature. The Marxian concept is, therefore, richer than the neoclassical one, but there is a considerable measure of anthropocentrism even in the concept of the labor process, since it is specifically understood as man’s purposive action on nature, i.e., as part of man’s conquest of nature. The idea of “industrial” production is not only mechanical and physicalistic but also anthropocentric.

Nicholas Georgescu-Roegen, *The Entropy Law and the Economic Process* (Cambridge, Mass.: Harvard University Press, 1971); *Entropy and the Economic Process. A Seminar* (Science Council of Canada, 1980), Yoshiro Tamanoi, Atsushi Tsuchida, and Takeshi Murota, “Towards an Entropic Theory of Economy and Ecology,” *Economie appliquée*, 37, 2 (1984), pp. 279–94. The following passage comes from the introductory section of the last item. “Going back to its original definition by Rudolf Clausius, we find the entropy as a quantitative measure of the dissipation of heat, or of matter. More intuitively speaking, it can be interpreted as a degree of dirtiness of heat or of matter. In our daily lives, we observe high entropy heat as waste heat and high entropy matter as waste materials.... Entropy is a fundamental attribute of heat and of matter, and it is a physical quantity having the dimension of calory/absolute temperature” (pp. 279–80).


A close parallel between the positions of agriculture and women under capitalism may be pointed out here. Feminists are not always aware that the repression of women in a bourgeois society differs from that in premodern society, and attribute both to transhistorical male chauvinism. A feudal-military society expects men to command and women to obey because of its “naturalistic” conception of society. Whether this role-
assignment is fair or foul, the ideology views both nature and society as hierarchical and it enjoins us against defying the “order of things.” The discrimination therefore comes from the recognition of the difference of the sexes. In contrast a bourgeois society views men and women not only as equal but essentially the same (unisex). It does not recognize the difference of the sexes. When this principle is applied to the marketplace, women inevitably fall behind because they are not as “disembeddable” as men. Just as agriculture is told in vain to be like industry women too are told to be like men in order to be more successful, which advice works only in the public sphere. The liberation of women based on the bourgeois principle of unisex-ism is doomed to fail because, when it succeeds one-hundred percent, the private sphere, the source of life, has been eliminated. What is needed clearly is to liberate women in the private sphere of life rather than forcing them out of it into the public sphere. But we can see that capitalism is unlikely to accomplish this in view of its poor track record with regard to agriculture.

Polanyi, Great Transformation. Polanyi’s contrast of the 1920s and the 1930s is especially revealing. Uno also held that World War I was the last “imperialist” war, the outbreak of which foretold the end of capitalism. See Sekine, Dialectic of Capital, vol. 1, pp. 90ff.

I owe the idea of this diagram to Dr. Kazuki Kurnamoto. Actually I have fashioned this one by bringing together several of his diagrams which he used to explain much the same factual development in greater detail in an unpublished monograph.

There is no shortage of perception and imagination as such, as the following interesting books attest: Rudolf Bahro, From Red to Green (London and New York: Verso, 1984); André Gorz, Farewell to the Working Class (London: Pluto Press, 1982); idem, Paths to Paradise (London, 1983).

Tamanoi’s extensive writings in Japanese on the economy of the living system have not yet been translated into English. However, apart from the item quoted in note 7, a short article entitled “Economy of the Living System” is being translated by Tamanoi’s student, Mr. Makoto Maruyama, and will be made available shortly.

This is not a place to expand on the concept of value. But according to the teaching of the Uno School a commodity relation first arises between two more or less self-sufficient communities and then, once it becomes regular, makes inroads into them. If in those communities labor power too is transformed into a commodity, the communities become saturated with commodity relations and become capitalist societies. Their substantive economic life is “subsumed” by the mercantile principles which come from the outside. This process of subsumption is the process of value prevailing over use-values, i.e., the process in which the merchant’s indifference to use-values subordinates the consumer’s concern over use-values. In capitalism commodities are not produced as use-values but simply as value. Value in this sense is the basic principle that governs capitalist society.

Polanyi, Great Transformation.


“A tenant of a holding shall have full right to practise any system of cropping of the arable land on the holding and to dispose of the produce of the holding without incurring any penalty, forfeiture, or liability, provided that he shall have previously made suitable and adequate provision to protect the holding from injury or deterioration, which provision shall in the case of disposal of the produce of the holding consist in the return to the holding of the full equivalent manurial value to the holding of all crops sold off or removed from the holding in contravention of the custom, contract, or agreement.” T.C.
Indeed, contrary to what economic theory presupposes, there was no easy intersectoral flow of human resources between agriculture and industry. The work ethos of the agriculturalist and the industrialist being different, the mobility of people between the country and the cities always involved painful sociological experience.

Garrett Hardin, “The Tragedy of the Commons,” *Science*, 162 (1968), pp. 1243–48, reprinted in Herman E. Daly (ed.), *Economics, Ecology, Ethics* (San Francisco: W.H. Freeman, 1973), pp. 100–14. It must be remarked, however, that the “tragedy” does not occur on a commons, unless “as a rational being, each herdsman seeks to maximize his gain” (p. 104). It was not simply because “the numbers of both man and beast [were kept] well below the carrying capacity of the land” that overgrazing could be averted in premodern societies. It was also because the herdsman was not yet corrupt by the “worship of filthy lucre.”

This expression comes from Wendell Berry, *The Gift of Good Land* (San Francisco: North Point Press, 1981). The author emphasizes the difference in the philosophies of agriculture and of mining.

James Burnham, *The Managerial Revolution, What is Happening in the World?* (New York: John Day, 1941); John K. Galbraith, *The New Industrial State* (New York, 1967). Burnham’s book published on the eve of America’s entry into World War II contains brilliant analyses which are still very apropos, even though its failure to predict the overwhelming influence of Keynes renders it somewhat obsolete. Galbraith recapitulates many of Burnham’s ideas in a more urbane and academic fashion, but perhaps with less penetration and incisiveness.

It is well to recall that Uno stated in an article published in 1950 (Kozo Uno, “Sekaikeizai-Ron no Hoho to Mokuhyo,” which may be translated into “The Methodology and the Objective of the Theory of the World Economy”) that socialism in order to be viable must solve not only the internal contradiction of capitalism, i.e., class conflict, but also its external contradiction, i.e., agricultural problems.

See note 4 above. Burnham, *Managerial Revolution*, quite rightly objects to the Marxist’s “assumption” that “socialism is the only alternative to capitalism” a great number of times. The abolition of capitalism does not guarantee automatically the coming of socialism.


The fundamental distinction between “qualitative” and “quantitative” goods has not been sufficiently emphasized. In an industrial society the general tendency is to mass-produce even final consumption goods as if they were quantitative intermediate goods. But this means that the whole society is taken hostage by the production managers and designers. In the case of sophisticated consumer durables whose operation needs to be learned through reading a thick user’s manual, this may be to some extent unavoidable. In such a case, the consumer needs to decide only whether he wants the thing or not, and how much he is prepared to spend. For the rest his choice is academic. If this trend is
universalized, eventually the consumer needs to declare only “I want to live and this is my income.” An expert can decide for him how he should live, making the best of his money’s worth. Not much room will be left for the philosophy of “free to choose.” These estimates are at the outside, since the “cities” should also absorb a considerable portion of the population, say, between one-quarter to one-fifth. It is outside the scope of this paper to speculate what sort of population policy the communities and the cities may sensibly adopt in the future society. I only assume that the nation is self-sufficient in food.

The civil servants of the state including the operators of the state factories are to reside in metropolitan cities.

This is another way to safeguard against the domination of the consumer by the producer. See note 28 above.

The shares of the state factories may in part be owned by the state, and in part by communities. In fact, it is important that the communities whose environment is directly affected by the activity of the state factory should own its shares in addition to being its landlord. Then the communities have enough stake in the operation of the state factory to adequately control its choice of techniques. It is true that the control of the planet-threatening pollution requires not only national but international legislation. But the source of pollution is always local. If there is no local incentive to control pollution at the source, a piece of legislation would remain a dead letter and the cost of policing would be prohibitive.

Even if all the capital goods in the community are owned privately and all the products are sold in a free market inside the community, that does not make the community a small capitalist nation. The community can produce only qualitative goods, mainly for internal consumption. In order to accumulate, more quantitative goods must be purchased. But since they are purchased in the first instance by the community with its property income, they are not immediately at the disposal of the private entrepreneurs. The community is a club-like organization which determines the allocation of its resources through the mechanism of direct democracy.

I mean “mainly for local consumption” since eventually the communities must produce qualitative goods for “cities” as well. Many Canadians react to this idea by asserting that Florida oranges and California grapefruits are indispensable items of their consumption. If so the community may democratically elect to spend some of its property income on American citrus fruit instead of quantitative goods. If the “trade-off” is reasonable the members of the community may perpetuate their relatively recent addiction.

In order to make the first several experiments successful a board of highly educated individuals and other wise people should be established in each case not only to oversee and monitor the coming into being of the community, but also to be ready on hand to assist it in every possible way if and when any difficulty arises in the course of its development.

As far as possible an equal distribution of property incomes among the communities must be ensured so that no community should be either too rich or too poor per capita of its population relative to the average. But since the use of property incomes is limited in principle to the purchase of quantitative goods from the outside, what remains as savings may be taxed heavily by the state for transfer to other communities with negative savings. Concrete strategies are to be worked out in light of actual experience.
As already stated large corporations should not be in the sphere of direct consumer services (whether in the production of final consumption goods or in the provision of services) anyway. Hence the faster they withdraw from this sphere the better. See note 28 above.

This provision is to ensure that the scope of the market in qualitative goods is properly circumscribed. Notice that in the picture of the future society all of what Polanyi called the methods of economic integration: reciprocity, redistribution, and exchange are at work, but none overwhelming the others. These may be alternatively called the principles of cooperation, planning, and the market. The socialists have tirelessly talked about planning versus the market as if they were the only two principles of economic organization. I have instead emphasized the third principle of cooperation or mutual aid. This is what the anarchists have always demanded, especially Kropotkin and his followers. Originally, socialism and anarchism were closely related. They should again be reunited. For by separating from each other they have both become ineffective as a plausible alternative to the existing society.

Due to the limitation of space certain concrete problems of vital importance such as defense, international trade, administration of justice, human rights, provisions in case of a natural calamity, etc., could not be discussed in this paper. But I see no reason why they cannot be satisfactorily worked out, once the viability of the state is in principle ensured.