

SOCIALIST THOUGHT IN THE POST COLD WAR ERA

edited by

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In Memory of Eugene Kamenka

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Chapter 1

Introduction: Changing Economic Thought About Socialist Economy in the Marxian Camp

Bruce McFarlane and Peter Groenewegen

This collection of essays arose from a workshop of economists and political scientists held at the University of Sydney on 18 February 1994 under the auspices of the Centre for the Study of the History of Economic Thought and the Journal of Contemporary Asia.

The program and discussions were organised by the Director of the Centre, Professor Peter Groenewegen. As its main theme, the workshop (and the present collection of essays) have taken the question of how well Marxian economics can, and will be able to, make sense of the crisis of Soviet and East European socialism that developed after 1989, and what if any, explanatory power it has left for this purpose. Associated with this exercise is the problem of analysing how some of the "official" Marxian economists in countries like Vietnam and the former Yugoslavia are coping with the transition from central planning to a market socialist system.

Howard and King

Michael Howard and Jon King, who had already written a major survey of Marxian economics since Marx¹ conducted a similar exercise for the workshop, published here as the first major item. Its focus is on the changing views about the operational aspects of the socialist economy among bourgeois and Marxist economists and the related issue of whether a command economy is actually feasible and viable.

By way of background to Howard and King's approach it is essential to be aware of their long-standing interest in how Marxian economics has adjusted to changing political and economic circumstances.

In earlier work, they have looked² at whether the set of rigid Marxian predictions about a "general crisis of capitalism" has been revised. In fact, King and Howard drew attention to the widespread change among Marxian economists in their attitude to the issue of the "crisis-prone" nature of capitalism exhibited after 1973, something they

had described as a change to a more flexible approach. There were, in fact, various Marxian explanations for the "second slump," some based on over-accumulation and some approaches (Mandel) even reviving Kondratieff cycles. Here, Howard and King also claim that the revolutionary proletariat in advanced capitalism has proved to be a chimera. In the current chapter the emphasis is rather different. However, Howard and King again divide Marxist economists into schools and this time trace their changing attitude to the crisis of socialist economics and the economics of socialism in a way reminiscent of their account of changing views and reactions to the growing crisis of capitalism.

First, there are those who considered "super" industrialisation (their term) as a necessary and important part of the unfolding of the socialist mode of production with Fel'dman, Preobrazhensky, Dobb and Baran, as leading examples.

Second, there are political economists who could not see any reason for favouring the capital-goods sector (and heavy industry) over that producing consumer goods. Well known examples of persons making this point are Bukharin, Sokolnikov and Michal Kalecki.

Third, there are those (Lange, Dickinson) who desired greater emphasis on efficiency and sought assistance from market forces in assisting socialist planners. These various positions were examined in more detail throughout the workshop.

Kriesler and Keen

The post-1930 period in Soviet planning with its emphatic priority for high rates of investment and development of industry constituted an approach that can be called "Fel'dmanism."

The key to Fel'dman's model, from the technical point of view, is that it modifies the famous reproduction schemas of Marx from the Second Volume of *Capital*, in order to separate out a desirable capital-goods sector from other produced inputs in Department I and in this way to stress its role in governing the rate of economic growth (i.e. the accelerated output of both Department I and Department II).

Subsequently, the Indian planners, Mahalanobis,³ K.N. Raj and A.K. Sen⁴ (at the time of the 1950s also "Fel'dmanist" in their thinking) produced a four-sector model in which raw material (and semi-finished goods) were separated from machinery. As well, the stock of machines was divided according to destination and purpose (whether for productive consumption or personal consumption, etc.).

The essence of "Fel'dmanship" is the next step - the argument that the maximum capacity of the capital-goods sector limits overall growth of the economy, given the efficiency with which durable capital-goods are used. Fel'dman actually regarded the output capacity of Department I (particularly the machine building and machine tools sub-sector) as constituting the level of industrialisation of a country,⁵ indicating its potential for accelerated economic growth.

It needs to be recalled that the rate of growth of the capital-goods sector in the model is independently defined as a pure ratio which depends only on the proportion of investment devoted to the sector and on the incremental capital-output ratio of that sector.

In his commentary on Kriesler, Steve Keen has not explored "Fel'dmanist" thinking but instead has taken apart the technical and mathematical properties of Fel'dman's original model and given them some treatments not previously seen in the literature on Soviet planning models of the 1920s.

Kriesler does not think Fel'dman himself directly influenced the Soviet 5-year plan but, as Hywel Jones has remarked, the Fel'dman model is one of the few growth models whose construction depended explicitly on the requirements of public policy for development and which, moreover, can be said to have direct policy implications. He adds that "that consistency of his results with the contents and style of the two 5-year plans should not go unremarked. Moreover, the general strategy of Soviet growth policy, in particular the pre-occupation with heavy industry, can be easily analysed within the framework provided by the Fel'dman Model."⁶

Fel'dmanism is a habit of thought - one which led Kalecki to take action against it, on the grounds that it is bound to result in savage trade-offs between growth and consumption.⁷ This key point is particularly well explained by Kriesler in this chapter.

McFarlane and Bhattacharya

Maurice Dobb was the outstanding Marxist economist writing in Britain from 1926 to 1976. Much of his writings was devoted to the socialist economy, other books contributed to the history of economic thought and the modern economic history of Europe. To focus on his studies of socialist economics, Bruce McFarlane has looked at Dobb's writing in two main aspects: his theoretical growth models and his increasing support, especially from 1961, for economic reform, the last including deregulation and market economy as essential key features of contemporary socialist economies.

In his theoretical growth models, Dobb can be shown to have made concrete the proposal to use the scheme of expanded reproduction (from Volume II of *Capital*) to solve the problems of planned economic growth in socialism. On economic reform in socialist society, he had committed himself in 1928, and renewed this commitment after the death of Stalin, to the use of certain value-categories (money, price, profitability, rent of resources) in a socialist economy. Aware that intellectual categories transferred from an alien context are likely to carry also "alien" accretions, Dobb nevertheless suggested that the theory of planning and the functioning of the socialist economy requires serious incorporation of such value categories, especially when the sphere of operations for market forces is being widened.

What Dobb did not foresee when he wrote his last article in 1976 was the strong move towards various types of privatisation of state industry as well as the develop-

ment of worker-owner enterprises that were to emerge at the centre of socialist discussion in the 1990s.⁸

In his comments on McFarlane, Bhattacharya concentrates on criticisms of the case for capital intensive techniques during the early stages of economic development, as it was developed by Dobb and Sen. These arguments rely extensively on dependency theory (technology imports make developing countries dependent on the capitalist developed world) and on the implications of capital intensive technology on the welfare of the working class in a developed country.

Haddad and Gordijew

Planning and decision-making constituted two key issues in the older literature both for those attacking and those defending socialist economies. Louis Haddad points out in his chapter that an important aspect of the quality of the decision-making process is the quantity and quality of information flows. It can no longer be assumed (as many pro-Soviet authors once did)⁹ that decision-makers in a "socialist" set-up were well informed about economic circumstances and knew the consequences of their choices.

Moreover, as Ihor Gordijew points out in his discussion on Haddad, there are many ways in which data can get imperfect as it travels upward from the economic cells of socialist society to the higher levels of centralist planning, and the Soviets were forced into many re-arrangements of the administration process in order to improve the flow.

Haddad throws doubt on past and present use of the "command economy" model to describe Soviet planning experience, as he thinks this model obfuscates as much as it illuminates. This is an interesting challenge to the whole corpus of economic knowledge built up by "Sovietologists" and CIA technical expertise on the USSR economy. He prefers to discuss in detail the reasons for a defective innovation function in Soviet-type systems.

Beresford and Fforde

Vietnam, beginning in 1979, and even before China's more publicised Economic Reform, embarked on a decisive transformation to market economy. This was bound to lead to interest in how Marxist ideology and Marxist economics as pronounced in Vietnam official and academic circles would respond to the changed economic foundations in the country. Beresford shows that Ho Chi Minh (though not Marxism as a kind of state ideology) was used to legitimise a revolutionary morality that appealed to many Vietnamese in the past. Now this is losing its effect. The new system requires a new economics. Residual Marxism, argues Beresford, is apparent in academic and Party discussion about property relations and the co-existence of state, collective, private and personal forms of property in a nominally socialist economy.

However, the dogmatic version of Marxist economics hitherto used and taught in Vietnam has not equipped contemporary Vietnamese economic officialism to understand the implications of their desire to embrace the "market model" and neo-classical economic theory as its accompaniment. Beresford gives examples of extreme naivety in Vietnamese assertions about the existence and effectiveness of competitive capitalism in the West. Since there is some concept of adopting this mis-specified but idealised model of competitive capitalism to Vietnam, many difficulties lie ahead in relation to profits, prices, the degree of monopoly, unemployment, etc.

In his comments, Fforde expands on Beresford's chapter by emphasising the role of legitimisation within a materialist analysis of social and economic change, and mentioning some further possible channels of Marxist-Leninist influence in Vietnam. In addition, he presents an alternative perspective on how to incorporate the ideological aspects of the transition to a market oriented economy.

Miller and Kafouros

The members of the original Yugoslav Marxist School - Eduard Kardelj, Boris Kidric, Moshe Pijade - are hardly household names in the West. Only ex-Marxist Milovan Djilas has really made an impact. Yet certain aspects of the ideology of the school have been shared with the dissident communist group of Eastern Europe: anti-sovietism; anti-"bureaucratism" and being in favour of workers' self-management; market socialism.

Among economists, Branko Horvart, who had studied in Manchester in the 1950s, is perhaps the best known. Horvart is among those who has advocated a form of "market communism," a heresy for some Marxists since it implies an infinite life-span for "alienation" and "commodity-fetishism." In the West, Horvart's writings on economic growth strategies are highly esteemed.

What Bob Miller has done in his chapter on the "Yugoslav Road to Socialism" is to raise an important issue - did the Yugoslav Marxist model fail because of inherent contradictions in both its "vision" and functioning, or did the dormant national rivalries and hatreds within Yugoslavia's borders doom the experiment from the beginning? Miller's doubts presented here include the possibility that any successful self-managing system cannot really work well in the environment of the Balkans compared to that of a *highly industrialised system* (a description applying only to Slovenia within Yugoslavia's borders); whether members of the workers' council could maintain a strong ideological commitment to collectivist ways of behaviour (a problem faced also by the Israeli Kibbutz movement); and the practical politics of power. For according to Miller, the Yugoslav Communist Party had never sacrificed the Party's ultimate decision-making monopoly over such issues as the *real* powers of the workers' councils and the character of Economic Reforms.

Concluding his survey of canvassed issues, Miller comes down firmly on the side of those who feel that "underdevelopment" was the major obstacle to advanced social experiment in Yugoslavia from the beginning, while the potential of the market to get

the Yugoslav economy out of trouble (originally recognised by Boris Kidric in the 1940s) was not given a real chance to achieve large objectives.

Kafouros's comments question some of Miller's specific reasons for the failure of Yugoslavia's experiment in workers' self management socialism, partly because of its over-emphasis on distributional factors, but largely because of his over-emphasis on the inadequate "marketisation" as a cause of this failure. Given the theme of the Workshop, the first two of his concluding comments raise pertinent questions about saddling Marx, or Lenin, with the many subsequent "socialist" ventures established in their name, often long after their death.

Pitty and Cooper

There has been a strong school of dissident socialists inside the USSR since "perestroika." Pitty looks closely at the writings of this school, particularly at Alexander Yakovlev's *The Fate of Marxism in Russia*. This is a book that downplays the past and present role of ideology in Russia and looks at pragmatic solutions which are more conducive to democracy. Pitty thinks this kind of approach represents a re-birth of Menshevik values - the socialist idea remains; Bolshevism is extirpated.

Another author considered by Pitty is Victor Sheinis who took part in a socialist student movement in Leningrad after the anger caused inside Russia by the crushing of the Hungarian revolt of 1956. The critique of Sheinis is close to the earlier "legal Marxists" (and, it could be argued, to Djilas) since it rejects the idea that "ruling monopolist and elite groups" can satisfy the growing demands of the working class.

The final sections of Pitty's chapter deal with a theme which runs through this book: prospects for socialist renewal. Alex Nove has called for such a new process of refurbishing the socialist project in his *Economics of Feasible Socialism*, along with many long-time "workers' control" enthusiasts. Pitty seems to think the disintegration of the socialist idea is by no means inevitable. The chance of success, he hints, depends upon societies accepting Sheinis's proposition that "we don't need 'more' or 'less' socialism, but *another* socialism, organically connected with democracy, with legal norms, with ideological pluralism and a human face."

Cooper sympathetically endorses aspects of Pitty's viewpoint. Like Kafouros's concluding remarks, he warns of the need to keep a proper historical perspective vis-à-vis the views of Marx, and not to resuscitate terms like Menshevism ahistorically. Befitting the spirit of the Workshop, he ends on a note of hope, indicating that events in Eastern Europe have not killed socialism as such by enthroning the market and private enterprise pure and simple, but have left room for new forms of socialism to develop perhaps on Lenin's NEP lines, as a superior form of socialist society to the discredited and tumbled models which ruled Eastern Europe and obfuscated thereby the many other socialist possibilities potentially available.

The main themes of the discussion which followed the chapters presented here can now be summarised and explained under a number of broad headings.

Overcentralisation and its Economic Results under Socialism

The general idea of economic planning has been associated with socialism since the days of the St Simonians; as well, Marx and Engels, both looked to the idea of socialised production according to a pre-determined plan. Their comments about the "anarchy of social production" and the desirability of replacing it with "conscious organisation of society on the basis of a plan" (see, for example, *Anti-Dühring* and parts of Volume III of *Capital*) were very influential. As a result, when the NEP was introduced in the USSR (later in China, Cuba, etc.), the Marxist economists in socialist countries saw this shift as a "retreat," an aberration from the model of a planned socialist economy. Perhaps the first lesson of East European experience, however, is that NEP can be effective if treated as a normal *form* of the socialist system with co-existence of property forms and various methods both indirect and direct of regulating the economy.

A related theme in any discussion of the weakness of central planning is the field of genuine innovation and even of the diffusion of such innovation. Such processes are the life-blood of economic dynamics. Failure in this vital and sensitive area proved a fatal blow to effective industrialisation of socialist countries, for industrial achievement had been the hallmark of apparent success, almost a talisman of the socialist regime. As well, the topic of Fel'dmanist thinking (and not only Fel'dman's technical *model* as explained by Kriesler and Keen) can be seen as a major cause of serious over-centralism, faults in planning and neglect of the all-important consumption standard of the masses.

The policies coming out of Fel'dmanism, labelled as "socialist" by officialdom, actually led to a crisis of confidence in socialist regimes on the part of the very working masses for whom the socialist economy was supposed to deliver, not only social services but a gradual annual rise in personal consumption. As shown in Kriesler's chapter, Kalecki's "government decision function" was designed to get planners thinking about consumption in an active way, and about combatting Fel'dmanism.

It was Oscar Lange, Poland's leading socialist economist and planner who, in 1938 and 1939 (while residing in the United States) first raised the bureaucratic problem before the whole economics profession. While political theorists like Bakunin, Bruno Rizzi and Leon Trotsky had said many insightful things about the bureaucracy in the socialist economy, Lange was, in the thirties, one of the few *economists* to acknowledge the "bureaucratic dangers," not only for Soviet-type economies, but also in reference to a decentralised and market-dominant kind of socialism. He said that there would be a need for militant and vigilant workers to ward off tyranny. Clearly he was here envisaging the emergence of "heroes" of the kind

extolled by Georges Sorel. The other string to Lange's anti-bureaucratic bow was ... perfect competition! He believed, (with the Vietnamese Marxist economists interviewed in 1994 by Melanie Beresford) that authentic competition had its best chance in a socialist system because under capitalism, monopolies wiped out true competition. Referring back to Dobb, we may note that he dominated English-speaking countries' writing on the theory of planning for decades. In 1926, in *Capitalist Enterprise and Social Progress* (second printing) he had wondered whether "either a collectivist or a communist society would be likely to be essential ... the administrators would run the bureaucratic danger of becoming routine-bound and unimaginative. They might be shy of facing uncertainties through timidity of opposition to the results of change and of the contumely which they risked should the dice fall for them on the wrong side." This followed a Cambridge tradition of fear of bureaucratised enterprise visible in Pigou, Keynes and going back to Marshall's last published paper in the *Economic Journal* in 1907. Putting these doubts aside from 1930 to 1960, Dobb later came to see the organic link between decentralisation and reducing the bureaucratic danger. As pointed out in McFarlane's chapter, Dobb's final paper¹⁰ fully embraced market socialism and Economic Reform.

Self Management, "Privatisation" and Socialism

There has also been a lot of literature - referred to by Howard and King, Miller and Pitty in this volume - about "bureaucracy versus self-management" under socialism. Much of this literature came from Yugoslav writers, as Bob Miller's chapter below explains. In Western countries, Pribicevic, G.D.H. Cole and Hertzka wrote extensively on this issue, but outside of Yugoslavia;¹¹ few economists *within* the USSR or East European countries were interested. State ownership and centralised planning were seen as the *essence* of socialism inside these regimes.

A partial exception to this picture, of great interest to economists, was Michal Kalecki, who was close to Lange. During his period in Britain, Kalecki delivered a now celebrated lecture to a socialist group in which he supported a *form* of self-management. This article, "Workers' Control Under Central Planning," was republished in 1956 in the Party journal (*Nowe Drugi*, no. 11-12) at the height of the great debate in Poland on economic reform following the Khrushchev attack on Stalin and the coming to power of Gomulka. There followed a joint document, *Theses on Some Directions of Change of the Economic Model*, jointly written by Lange, Kalecki and Brus, which firmly supported the system of workers' councils as the countervailing power which could check bureaucracy.¹² Moreover, the three authors preached not only a "harmony" between planning and the market, but made suggestions for an institutionalisation of two elements - the autonomous enterprise led by workers' councils and a re-formed central planning agency.¹³ However, these proposals were never acted upon.

After 1989, workers' self-management re-surfaced as part of the debates about, and the proposed arrangements for, privatisation. The various proposals for privatisation were complex,¹⁴ but a significant number of them had a form of self-management built into them - usually giving the workers the option of buying shares in the enterprise, taking part of their wages in the form of shares, and giving voting rights on the Enterprise Board commensurate with their share holdings.¹⁵ The former Yugoslav republics of Slovenia and Macedonia tended to adopt this form of "worker's ownership" as the preferred privatisation method. Others welcomed private owners.

Discussion at the Sydney University Workshop confirmed that in East Europe today there is a very lively debate about "economic models" (including the privatisation proposals) and about Economic Reform, and of course, such discussion (originating in an earlier period) continues in China, Cuba, Vietnam and the Serb section of the former Yugoslavia.

The contemporary controversies inside the former socialist bloc were in 1994 dominated by a challenge to the whole idea of socialist economy as unworkable, but Marxist economists are by no means totally marginalised and Marxist views often re-appear in new guises (as Adam Fforde points out in his comments on Beresford's chapter). While this is particularly true in China (with names like Dong Fureng, Xu Dixin, Jiang Quinhau),¹⁶ the recent re-elections of "democratic communists" in Hungary, Slovenia and Lithuania also point to the continuing influence of self-management ideas and Marxism.

Economic Reform Models

The debates in Budapest, Warsaw and Prague have sometimes been highly emotive. There was, in the early 1990s, widespread support among academic economists in Eastern Europe for the ideas of Hayek, Von Mises and Milton Friedman; all push ideas not merely extolling "free markets," but capitalism. The popularity of these authors results largely from the fact that they make *private property, the plurality of ownership forms and the rule of law* the key cornerstones of the desirable economic model, whereas "official Marxism" in the past upheld a near monopoly for state ownership, and even down-played collectivist and co-operative ownership forms. This position on public ownership is clearly a thing of the past, unlikely to be repeated.

"Macroeconomic balance" and economic reform must go together say the Vietnamese economists,¹⁷ Montias¹⁸ and Brada.¹⁹ This demand for macro-balance is an issue destined to dominate future reform model discussion for Russia and Eastern Europe. Interestingly, some Marxian economists have contributed as well to this technical debate. This is undoubtedly because systemic analysis of the "transition" from over-centralised economy to market economy is needed, rather than the shock therapy or other attempts to bring about very *rapid* transition to market capitalism. Systemic analysis and advocacy of step-by-step change are strongest in China and

Vietnam where Economic Reform has proved more successful than the shock-therapy applied in “guinea-pig” economies like Poland and Czechoslovakia.²⁰ Part of that step-by-step process is “macroeconomic stability with a human face,” as seen in Vietnam. This is the “political economy” aspect of a problem which cannot successfully be tackled by the exclusive application of IMF nostrums and the technical tools of public finance theory.

The Marxist Response to Eastern European Change

The current Marxist response has been that “structural reform” and “market freedom” often are merely buzz-words, and that no thought has really been given to distorted outcomes by either free marketeers or advocates of “Shock Therapy” (many of whom are mentioned in Haddad’s chapter below). Some of the key ones that dominate the concern of the Left in Eastern Europe are labour-shedding and mafia-style control of marketing, leading to profit gouging.

Labour-shedding has already reached massive proportions in all ex-socialist states which no longer allow job security and over-manning as part of the welfare system. In China, disguised unemployment may be as high as 30 per cent; in Poland over a million were unemployed during the 1990s. The point to make here, as urged by the Marxists in Eastern Europe, is that while workers will be willing to make sacrifices to give new regimes a chance, they need a quid pro quo. They will want to see productive investment and job creation, stable prices and, as explained earlier, they will want an end to Fel’dmanism and its lack of attention to consumption. If these conditions do not eventuate, a great deal of civil unrest is inevitable. The workers now find that, after all, membership of the IMF, foreign investment, foreign takeovers of local factories etc., does not easily take them out of the crisis originally provoked by over-centralisation. The workers continue to want cheap accommodation; subsidised food and transport; education without application of user-pays principles, and available space heating and child care at reasonable charges. They are not going to get them in the current workings of the economies of the USSR and Eastern Europe. Subsidies have not survived marketisation and this particular facet of post-socialism’s economic policy (insisted on only by IMF and World Bank officials) has brought on a collision between a working class brought up on Soviet-style welfare subsidies and the activists promoting market reform.

Socialist Renewal?

As pointed out by Pitty and Cooper in this volume, prospects for designing a more effective system in the USSR, China and Eastern Europe are reasonably good in the longer-term. Assuming some minimal Social Democratic “vision” to be held by the political leadership, it should be possible to develop a variety of ownership forms and styles of privatisation. A decentralised economy would accompany the change in the economic base - a return to a “command economy” (let alone Stalinism) is unthinkable

and, anyway, impossible. The new economic model will be one already foreshadowed in some of the writings of Dobb, Lange, Kalecki. It would have to be a planning system which respected consumption, be based on a decentralised system and combining social ownership with some kind of market or quasi-market mechanism. Paradoxically such a new “post-centralist” system might turn out to be a more effective alternative, not only to the Marxist dogmatism about centralism in planning and “Fel’dmanism” in strategy, but also to the laissez-faire fundamentalism of Hayek and his contemporary disciples among Russian, Vietnamese, Chinese and East European intellectuals.

Notes

1. J.N. King and M.C. Howard, *A History of Marxian Economics*, Vols. I and II, Macmillan, (1989), (1993).
2. J. King and M.C. Howard, “The Second Slump: Theories of Crisis after 1973,” *Review of Political Economics*, Vol. 2, No. 3, 1990.
3. P.C. Mahalanobis, “Some Observations on the Process of Growth of National Income,” *Sankya*, September, 1953. See also McFarlane, B., “A Note on Mahalanobis’ Model,” *Journal of Contemporary Asia*, Vol. 12, No. 3, 1982, pp. 340-43.
4. K.N. Raj and A.K. Sen, “Alternative Patterns of Growth with Stagnant Export Earnings,” *Oxford Economic Papers*, Vol. 13, No. 1, February, 1961.
5. For a similar view see W.G. Hoffman, *The Developing Economies*, Manchester University Press (1958) and A. Bhaduri, “The Pure Ratio in Economic Analysis,” in M. Baranzini and G.C. Harcourt (eds), *The Dynamics of the Wealth of Nations*, Macmillan, (1993), pp. 178-9.
6. Hywel Jones, *An Introduction to Modern Theories of Economic Growth*, Nelson and Sons, (1975), p. 15.
7. M. Kalecki did not explicitly attack Fel’dman, but his exposition of the “government decision function” (in *Introduction to the Theory of Growth in a Socialist Economy*, Blackwells, (1969), Chs. 4 and 6), is clearly aimed at Fel’dmanist thinking.
8. This issue was raised by Steve Cooper in his “Discussion” of Pitty’s paper; see the final chapter below.
9. Examples include Sidney and Beatrice Webb, *Soviet Communism*; G.B. Shaw, *The Rationalisation of Russia*; Waldo Frank, *Down in Russia*. However, Julian Huxley, *A Scientist Among the Soviets*, London, (1932) is perhaps the best example as he described Soviet planning as imbued with “the spirit of a coherently planned society,” the “spirit of science introduced into politics and industry.”
10. “Commodity Production under Socialism,” *Socialist Europe*, Vol. I, No. 1, 1976, pp. 4-7.
11. For a summary see A. Barcan and B. McFarlane, *The Nature of Yugoslav Socialism*, Outlook Publishers, (1960).
12. The English version was published as “A Reconversion Plan for the Polish Economy,” *International Economic Papers*, No. 7, 1957. See also later reflections by Kalecki in M. Kalecki, “Remarks on Factory Prices, Production Indicators and Quality Control,” *East European Economics* (International Arts and Scientific Press Translations), Fall, 1967, pp. 28-30.
13. Similar proposals for revamped planning agencies were raised, but not acted on, in the USSR during the 1960s. See N. Jasny, “Improving Soviet Planning,” *Soviet Studies*, Vol. 37, No. 4, 1961.
14. See the detailed classifications on various levels and sorts of privatisation in the USSR, compiled by Steve Fortescue. His articles are S. Fortescue, “Privatisation of Soviet Large-Scale Industry,” in H. Hendrischke (ed.), *Market Reform in the Changing Socialist World*, Macquarie Studies in Chinese Political Economy, 4, Macquarie University, (1992); “Privatisation of Russian Industry,” *Australian Journal of Political Science*, Vol. 29, 1994, pp. 1-19.

15. See special issue on Privatisation in Eastern Europe of the *Journal of the History of European Ideas*, Vol. 17, No. 6, 1993, edited by Judith Kiss.
16. See the chapters by Nolan, Wiles and McFarlane, in P. Nolan and Dong Fureng (eds), *The Chinese Economy and its Future*, Polity Press, (1990).
17. See Vo Dai Luoc, "The Fight Against Inflation," in W.S. Turley and M. Selden (eds), *Re-Inventing Vietnamese Socialism*, Westview Press, Boulder.
18. J.M. Montias and A. Ben-Ner, "The Introduction of Markets in a Hyper-centralised Economy: the Case of Romania," *Journal of Economic Perspectives*, Vol. 5, No. 4, 1991, pp. 163-70.
19. J.C. Brada, "The Economic Transition of Czechoslovakia from Plan to Market," *Journal of Economic Perspectives*, Vol. 5, No. 4, 1991, pp. 171-7.
20. See W. Andreff, "The Double Transition from Underdevelopment and from Socialism in Vietnam," *Journal of Contemporary Asia*, Vol. 23, No. 4, 1993.

Chapter 2

Marxian Theory and the Economics of Socialism: An Overview of the Legacy

Michael C. Howard and Jon E. King

Broadly speaking, reactions to the revolutionary events of 1989-91 in Eastern Europe have polarised learned opinion. At one extreme are those who announce, with varying degrees of triumphalism, the death of Marxism, which they see either as a vindication of post-modernism and further evidence of the futility of all totalising theories, or as evidence for the end of history and the universal superiority of liberal democratic capitalism. At the other pole, much fewer in numbers, are those Trotskyists and libertarian Marxists who claim that it is Marx's historical materialism which has been proved correct by the collapse of the vestiges of Stalinism. As will become apparent, our sympathies lie for the most part with the latter position; but that is the end of a long and complicated story.

This paper is in six parts. We first define "Marxian theory" by summarising the core propositions of historical materialism and explaining how they provide the conceptual underpinnings for Marx's political economy. Next we set out the Marxian critique of capitalism, and of bourgeois economic theory. The third section deals with the transition to socialism, and emphasises the problem of agency in Marx and Lenin. We then turn to Marxian critiques of the "Soviet mode of production." In section 5 we consider what Marxian political economy has to say, or fails to say, about the economics of socialism in both advanced and backward economies. We conclude by assessing the future of historical materialism as a framework for analysis in the post-Soviet world.

Historical Materialism and Marxian Political Economy

There are two key propositions of historical materialism. First, the productive forces determine the relations of production, and these relations in turn determine superstructural elements such as political and legal systems and ideologies. Second, contradictions between the forces and the relations of production explain socio-economic transformations. The most significant criticisms of historical materialism have been conceptual, involving claims not that these two propositions are false, but rather that they cannot be true. It is argued, for example, that it is impossible to separate the