

# IS MARKET-SOCIALISM POSSIBLE OR NECESSARY?

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## *Hillel Ticktin*

I think the problem with the question is that it quite clearly involves so much that it is impossible to have a full discussion of it. It involves at least three immediate questions. Firstly what is required for Eastern Europe and/or the Soviet Union today? Secondly, what is the role of the market in the classical transition period - assuming that the U.S.S.R. is *not* in this classical transitional period? And thirdly, what is, or would be, the role of the market under socialism; and if there is no market, what substitute would take its place? It isn't as if all three questions have been analysed at great length in any book or discussion. So whatever I am going to say will be both schematic and questionable. But briefly, I will now outline my conclusions so at least I am clear.

The first point I would make in regard to the first question - what is required for Eastern Europe and the Soviet Union in relation to the market - is that if the market were today to be introduced in these countries, the effect would be that the interests of the elite would be enhanced. It would not destroy the elite. On the contrary, it would buttress it. It would also assist the intelligentsia. Therefore, the introduction of the market would be anti-working class - if it were to be introduced in the system as it stands today.

In regard to the role of the market in the classical transition period I take the standard viewpoint of Preobrazhensky and the Left Wing Opposition in the 1920s. In a classical transition period we would have a clash between planning and the market in which planning, or the law of planning, would gradually overcome the law of value. However, that doesn't exhaust the question. Quite clearly it must involve the subsidiary question of what would happen if, in the Soviet Union, there was a change in the direction most people would like to see: that is to say the elite was removed, or exported to the West! Would one then introduce the market? Now, it must follow that if I hold the position that in the classical transitional period (as has been assumed hitherto) the market would not be removed immediately in Eastern Europe and the Soviet Union, the market would, to some degree, be restored - assuming that the working class were then in power. How long it would last is another matter.

This brings me to my third conclusion: that in such a transition period, which would then become a classical transition period, the market would be gradually phased out. Socialism is, in my view, totally incompatible with the market. But of course, as we are unlikely to reach that stage of socialism quickly, the essential trend will be the gradual withering away of the market and the introduction of planning over time.

These are my conclusions. Let us now return to the first question, what would be required for Eastern Europe and/or the Soviet Union?

One can't discuss the solution here without first analysing the problem. To do this one has to make some sort of analysis of the class structure now existing in the Soviet Union. Here one must argue that the problems in both Eastern Europe and the Soviet Union are not technical problems. They are social problems; problems of the present social relations. Also, I would assert that it is impossible to separate Eastern Europe from the Soviet Union. Zhores Medvedev made the point yesterday that what happens in Eastern Europe is to a large extent dependent on what occurs in the U.S.S.R., and hence, what happens in the latter is fundamental. I take that viewpoint as well.

In fact Eastern Europe only remains in its present form because of the presence of Soviet troops - or the possible threatened use of Soviet troops. This doesn't imply either that there are no indigenous elites (there quite clearly are) or that there are no indigenous means of control. It means only that the ultimate guarantor of stability in Eastern Europe is the U.S.S.R. After Hungary and Czechoslovakia it is very difficult to have any other viewpoint. It is less clear of course in the cases of Rumania and Yugoslavia. There it may not be a question of troops - though that's not altogether impossible. But the political and economic presence of the U.S.S.R. is enough. Quite clearly also, Yugoslavia could not balance between two sides if there was only one side. Consequently, in the end all these systems are determined by the Soviet Union. So in reality the discussion is very largely one around the nature of the Soviet Union. The question then becomes - what is the Soviet Union? Is it a mode of production? Where is it going? (to use Trotsky's phrase).

Now usually when I discuss this question it is either completely misunderstood, or the argument is diverted. In theory it is possible to have one of the following three positions. The first, (and assuming that the U.S.S.R. is not socialist) is that the Soviet Union is in a classical transitional period. In other words the U.S.S.R. is not degenerate in any form: it is simply in the transition period. This may last five hundred, three hundred or ten years - but it's in this transition period! This is one possible viewpoint and obviously it's quite widely held. A second position - which I take to be identified with the Fourth International and Mandel (and many others) - is that the Soviet Union is in a degenerate phase of this transition period. The trouble with this position, as it is expressed, is that it is ambiguous. Is it on the lowest rung of socialism, or is it not? When one states that it is non-capitalist (which is how it is often put) what is meant by the term 'non-capitalist'? I take that to mean that there is a series of possible transition periods and not just one. One of them would be a society which has degenerated from the classical

transitional period, but has the possibility of regenerating, provided that there is a political revolution. If one takes the results of that viewpoint it must follow that this society is really on the lowest rung of socialism.

Hence we have so far two discernible positions: one that argues that the U.S.S.R. is going towards socialism with minor problems or no problems; another that the U.S.S.R. is not immediately socialist (or moving towards socialism), but it can go in that direction provided that there is a political revolution, though not a social and economic revolution (although Mandel argues that a political revolution is a social and economic revolution).

I would argue that both these viewpoints are wrong. There is a third which is possible, namely, that what has evolved in the Soviet Union is unique. It is not capitalist. It is not socialist. It represents a particular formation which has come into existence for particular historical reasons. It cannot evolve towards socialism without a fundamental change; a social, economic and political revolution. Where is it going? I would have to argue that it is not going anywhere. At one time it was possible to argue that it had a high rate of growth, and was apparently going somewhere. Now it has a low rate of growth, so where is it going today? Most people in the U.S.S.R. now say that it is going nowhere. Quite often the image is put forward by those in the Soviet Union, of a stagnating society, of a society held in suspension. One prominent Soviet poet sees the society as being buried alive! Now this picture of the Soviet Union is effectively suggesting that it is not a mode of production; it has no historical function today and therefore can only decay. Its historical function, insofar as it had one, was the extraction of the absolute surplus; but it has been consistently unable to proceed to the next stage, the extraction of the relative surplus. That is its logjam at the present time. Hence, in these economic terms, the essential need is to find an 'economic mechanism' (to use the Hungarian term which is now so commonly used by Brezhnev). The consequence of this historic impasse for the Soviet Union is that it should be scrapped. One can learn many things from it, but we can learn many things from capitalism also. One can learn many things from many systems and many people! But it isn't anything upon which one can actually build. One can no more build upon the Soviet Union than upon what exists in a capitalist country. From this point of view we can argue that the world as a whole is in a transitional epoch, and the Soviet Union just happens to represent an unviable structure which has a finite end. That is not to say that it is so unstable it will die off tomorrow. It is simply to say that in world historical terms it cannot have a future. Its future is behind it.

In terms of the structure of the Soviet Union itself, I would argue (and obviously I am going over the arguments very schematically, and must assume a familiarity with my *Critique* articles), that at the base of all this is the fact that the elite has never managed to establish itself as a class. In other words it has never been able to establish full control over the surplus product. It is precisely for this reason that it is an elite and not a class. This in turn reflects the fact that they have never been able fully to control the working class. In turn this has meant that the working class has achieved a limited degree of control over its own work process. Therefore it has been able to exert a negative control over the surplus product. It is this which has caused

what has been called the enormous waste within the Soviet economy. It is this which would have to be 'cured' if one was to eliminate the enormous inefficiencies of the U.S.S.R. and Eastern Europe.

Given these enormous inefficiencies, I see no inherent reason why the Soviet elite should be opposed to the market. On the contrary, in historical terms they themselves were effectively born of it in the 1920s. They would have preferred a market, (the continuation of N.E.P.), but given the circumstances, they were unable to introduce it more fully. At the present time, given the inefficiencies, their limited degree of economic control and their own inability to plan the economy properly, it would be preferable from their point of view to have more effective control; which could only be exerted through the market. The alternative - the only one - is planning, which would imply their extinction as a group. It is quite clear that the Soviet elite have *never* been opposed to the market. The Libermann reforms would never have been thought of otherwise. What has evolved in Hungary has done so because the Soviet Union accepted it. People whom I met in the U.S.S.R. told me that the official view is that Hungary should prosper and that they should, at some stage, follow it.

The demand for the market does not come just from the Soviet elite. It also comes from the intelligentsia. Not from them all, but certainly from a large part of them (in the U.S.S.R. and Eastern Europe). It seems quite rational that they should do so. From the point of view of the elite, as I have already argued, the introduction of the market would bring about proper economic control. But both the elite and the intelligentsia would benefit from the market in a second important way, for they would both obtain market-type privileges. In other words they could go into a shop and buy what they wanted to buy, which they cannot do today, particularly in the Soviet Union. However much money they have this is clearly not enough in the present situation. If it were not for the special shops and the separate system whereby the elite is able to obtain its privileges, the elite would not have its present standard of living. The problem with that is that as soon as one loses one's job, one loses one's privileges as well. You may stay in the elite but you will descend down the hierarchy, and will therefore lose part or even most of what you had before. From the point of view of any individual member of the elite it is preferable to have real money, so he can buy what he wants and have greater security.

It has always been in the interest of the Soviet elite, I think, to have such a system. The reason why it has not achieved this has to do with the historical formation of the system - a question which I hope we will deal with in the discussion period. I think today that in principle the elite would want to go over to the market. That is why they are talking of it.

Let us return to the intelligentsia and its attitude towards the reintroduction of the market. Finding itself caught between the elite and the working class, the intelligentsia would like degrees of privilege similar to those of the elite in Eastern Europe and the U.S.S.R., and to the intelligentsia in the West. Like the latter, it seeks stable jobs, a situation where it could not be so easily deported, or dismissed, and even if it was, with money it would have a

reasonable prospect of existence - which I must say, it doesn't have today.

So from the point of view of the elite and the intelligentsia the introduction of the market would be greatly to their advantage. From the point of view of the working class the matter would be quite different.

I have already stated that the working class has a limited degree of control over its own work process. If it does, then it follows that each separate section of the working class, each department, and each factory will work at different rates from each other. In other words there is no way of reducing the working class to similar kinds of level - to forms of control similar to those in the West. In short, abstract labour does not exist in the Soviet Union. What is required in order to create genuine efficiency in the system (apart from moving towards socialism) is the introduction of abstract labour, or the reduction of the working class to the abstract labourer - as exists in the West. That would be the function of the market if it were to be successfully introduced. Many of the specific forms of waste would disappear. Of course they would be replaced by the different forms of irrationality which would accompany the introduction of the market. But that would be another problem.

Now from the point of the worker in the U.S.S.R. or Eastern Europe, there is no reason why he would want to accept this change. For in being reduced to the level of the abstract labourer, the worker would have stricter norms, have to work harder, would no longer be able to moonlight as he can at the moment. He does not want to break from the normal current Soviet practice. Why should he? Of course the present situation creates the contradiction that what is produced is defective, and the worker does not want that. But it cannot be solved from the point of view of the worker by the introduction of the market. Except under one circumstance. If the West were to give the Soviet Union a massive loan. At least \$50 billion - probably much more, perhaps \$100 billion plus. I don't know how much. But that aid would be essential to guarantee increasing living standards for the working class, while they were introducing this more efficient system. It is not a question here of an immediate restoration of capitalism. I take it for granted that one is talking of a limited market. But however limited, such a market would have the effect, would have to have the effect, of making the worker work harder than he is working today. It must by now be well-known that the worker in Eastern Europe and the U.S.S.R. works individually at his own pace, at a rate considerably slower than his western counterpart - even with the same machinery. So again, why should the worker want to change the present situation?

Let us now consider what the alternative - that is to say planning - would mean. Planning is not a technical act. It doesn't simply require linear programming, input-output analysis and other techniques. In fact that's trivial. That could be introduced quite easily. No doubt other technical aids could be introduced too. But that would not solve the problems in the Soviet Union. For planning to exist there are three major requirements. Firstly, there must be a process for acquiring correct information. Secondly, there must be a means by which one can assess the correctness of the goals of the plan. Thirdly, there must be connections between the decision makers and the producers. Put in another form, what we are saying in general terms is that

there must be conscious regulation of the society or the economic system by the associated producers.

All three aspects are very closely related. They obviously require a democratic structure. If any of these three aspects is separated, the process is interrupted and the result is something less than planning. The separation of the producers from planning, or from managing the planning process (whether through the operation of the market, or, as in the U.S.S.R., through the state) ensures that these processes are separated. The result is that planning, so-called, is turned into a formal procedure. The reports of the enterprises have to be falsified to ensure that the enterprise can have greater control over itself and avoid too taut a plan. Decisions taken only at the centre without any consultation with the workers are necessarily wrong, or are right only by mistake. Not only is the information false. There is no way that a single centre could make so many decisions, or incorporate so much information. Even if they could, they could not possibly understand the detailed ramifications of all these decisions. In turn this would change the nature of the information. What would be required for these planners would be the total incorporation of all human knowledge, which is obviously nonsense. That form of 'planning', which is the apparent form existing in the Soviet Union, is impossible. You may strive towards it, but only in vain because it is inherently unattainable.

It would be false to argue that the Soviet situation exists merely because some sort of mistake has been made; a mistake which could be corrected tomorrow, if only the elite could see the error of its ways. It is precisely because the elite exists, that it has to try to establish *its* control. The only form of control that will serve it, given its antidemocratic nature, is to try to attain the impossibility of placing all control at the centre.

The conclusion I draw from all this is that the Soviet Union is a system of organisation, or a system of bargaining. It has been called various names by different people: organised chaos, organised responsibility, *etc.* But the formal terminology is not what is important here.

Of course it would be false to imagine that the Soviet elite does not have some control over the system. It can alter this and that. It can give instructions for a factory to be put up here or there. Interestingly, on the major questions like trying to alter the balance between consumption and investment, it has failed completely. It has talked about it; it has actually made alterations in the plan to enforce such change; but the end result is always the same. The elite can make certain political decisions. It can decide on certain things. But that's as far as it goes.

Does this imply a dichotomy between intention and result? It isn't as if the planner don't know that what they are planning is not going to be fulfilled. Everybody knows. Indeed if it were fulfilled (as everybody knows), if plans were carried out as intended, it would be an absolute disaster! Many would be out of a job the next day. Enormous numbers of people who would have nothing to do. The result would be mass unemployment because there wouldn't be the vast overmanning which exists at all levels in the Soviet Union. There would be high productivity - high norms - hard work, and hence large-scale white collar and worker discontent, if the plans were fulfilled in

the stated manner. Everybody knows the plans are not going to be fulfilled. It is not the intention that they should be fulfilled. It never will be. The system is as it is. It is a system. We can't regard the various aspects of non-fulfilment of the plans, which has been a consistent feature of the system for fifty years, as some sort of recurring mistake - it is the system. The system is a mistake if you want. The checkers, the bureaucrats, the controllers, those who assign jobs, those who reassign them, those who check and re-check, *etc.*: whole ministries would be completely abolished if the system functioned in the way in which it was 'supposed', or 'intended' to function. Nobody believes that that is its function, except some people in the West, who neither read the specialist literature, nor are able to speak with those living in the U.S.S.R.

Now a change of this system is bound to be fundamental. There is no question of correcting this or that particular mistake. The whole system must be changed. This can happen only in two ways. One is to go back to the market. The other is to introduce planning.

I am concerned, as I have been throughout, to make sure that the term planning has some sort of real meaning here. As I have already said, full planning cannot be immediately introduced. The aim, however, must be full planning. This requires a democratic structure, correct information, a means to assess the correctness of the goal, and ways by which decision-makers and producers can be properly interconnected. The real task now becomes, indeed the entire problem revolves around, the question: how do we achieve this situation? Interestingly Bahro, in *The Alternative*, talks about this, if only in an indirect way. On the one hand he seems to imply that the market should be introduced today. On the other, when he talks of socialism, he makes it clear that there will be no law of value, no market. I don't know where one goes to on the basis of his book. It seems to me as if there is a real contradiction in what he has written.

Planning can only be done on the basis of use values. There is no way in which if you assume the absence of abstract labour, that you can thereafter add up labour time. This leads to three points. First, as I have pointed out, it is a nonsense that the centre should decide everything. That they attempt to do so in the Soviet Union arises from historical circumstance alone. Decentralization of an alternative non-market kind is possible. Now it may be argued that this is only feasible with the market. I would reject that. Second, the planning system which I am arguing for does not have to be absolutely exact. It does not have to be taut either. Of necessity it must be inexact and loose. It must allow for changes outside the immediate plan. We have to assume that no plan can be completely right. Quite the opposite. There must be a constant interaction between the planning system and those involved in implementation. Only in this way can change be introduced. This would imply two things. That there is some level of stocks, inexactness, or non-tautness: that the plan is not right as such, it is only an approximation. It will be changed over time. This will only be possible of course in a completely democratic society. It is impossible in the U.S.S.R. or Eastern Europe.

This leads to a third condition of planning, which will be regarded by some as utopian (although I don't see why), namely, a condition of relative abundance. I use the word 'relative' deliberately. We are not meaning to

suggest such a degree of abundance that everybody can go to sleep! But it does imply (and this is one area where I agree with Bahro) an end to growth. Growth is not necessary for its own sake. In the West today it would be quite possible, assuming that we did not produce many of the goods which are completely unnecessary (Concorde, arms, etc.) to reach a relatively high standard of living quite quickly. Once this level of production had been reached, it would then mean that new consumer goods would be produced only when enough could be produced for all those who actually wanted them. In other words demand would be controlled. It wouldn't consist of a frenzied competition for yet more trivia. Obviously there would be changes but they would be few and controlled, for example technological change. But with a relatively low rate of growth, or no rate of growth at all (there could obviously be changes in different parts of the economic system) planning mistakes (to call them mistakes is incorrect insofar as mistakes are necessary) would become insignificant.

To conclude on the main question about the market. If the Soviet Union were today to go over to the market, this would assist and benefit the elite and sections of the intelligentsia. Unless sufficiently large loans were obtained from the West, it would not benefit anybody else. But if, and only if, the working class was to take power (since it is impossible immediately to introduce the full democratic structures required for full planning) the market would come into existence for a finite period of time. It would disappear as new and higher democratic forms came into being - by which I mean a series of different groups, parties, organised viewpoints in and outside the factories, in fact throughout the whole society. Obviously they must express divergent beliefs and have conflicting programmes. It makes no sense to have elections if all the candidates have the same viewpoint, which happens to be the case in certain countries. There would have to be a long period of profound cultural change. During this the educational level would have to be raised enormously. This seems entirely feasible. If these (and many other) changes were introduced in Eastern Europe it would mean the introduction of the classic transition period. But this amounts to a revolution in these countries. Without that I can see no real change taking place which will lead towards socialism.

The introduction of the market on the other hand, insofar as it led to the stabilisation of the elite, would have an altogether different dynamic. The introduction of profit will lead necessarily to the introduction of profit over society as a whole. The introduction of value and surplus value must of necessity lead to a demand for its complete extension throughout the whole system. It will necessarily lead to capitalism. There is no way of controlling the market. The market is necessarily part of capitalism. Unless one begins to move towards full democratic planning, and this assumes the working class in power and not the elite, this is the only possible outcome.

Finally it should be quite clear to people living in Britain, given the breakdown of the welfare state, that planning and the market are incompatible. If one starts to introduce certain obstacles in the way of the market (controls over investment, taxation on incomes) it immediately removes the incentive system which has to exist in a market system. Immediately those who are so controlled will object. They will no longer want to do what they used to do.

## MARKET SOCIALISM

And of course under a market system it is inevitable that there will be inequality; a hierarchy of rewards. It would be ludicrous to think that under this system the manager might be getting less, or even the same as a worker. Because a market assumes a division of labour, assumes managers and workers, assumes that there are those in control, there is bound to be a differential reward system. The manager has to receive a higher income. He also has to demand control over the worker. He will require society as a whole to correspond to this system of hierarchy and privilege. What would be alternative? The manager receiving the same income as a worker? A pool of unemployed managers? (A market without unemployment is impossible). Who on earth would want to be a manager under those circumstances? Nobody!

Therefore one cannot separate the question of the market from its consequences. The market necessarily leads to a greater difference in income, greater control of the manager over the worker, and in Eastern Europe this would necessarily lead to further demands for capitalism itself.

### *Professor Brus*

I feel really overwhelmed by Hillel Ticktin's introduction, because this was a massive *tour d'horizon* which attempted to survey almost every problem of the transition period, the construction of socialism etc. I must say that my intentions are much more limited and down to earth. I even found myself objecting (mentally so to speak) to the title of our discussion, 'Is market socialism possible or necessary?', because it seems to me difficult to discuss such a question unless market socialism is defined in a proper way. What after all is market socialism? Is it the Hungarian system that Hillel referred to? I wouldn't be prepared to call it so: in my view the market - although used widely - is still subordinated to central planning. In my opinion only the Yugoslav system can be described as an approximation of 'market socialism'. Bahro doesn't discuss the specific concept of market socialism in his book either. So what I want to do is both more limited and narrow, although its implications may be broader. Not a discussion of 'market socialism' in some undefined way but of a more specific question: has the market a place at all in a socialist society? Can we use elements of a market in a planned economy?

Now it seems that the organisers of the conference were more interested in analysing the problem in terms of a model for a true socialist society. This would imply that the experience of what Bahro calls 'existing socialism' is irrelevant. Of course this approach is perfectly acceptable but cannot be regarded as the only one possible. I think that the experience of existing 'socialist' or 'post-revolutionary' countries is very relevant. After all it is most interesting that all these societies (USSR, China, Cuba) sincerely began with the intention to eliminate the market, to avoid all use of the market. But none of them succeed. A Marxist cannot disregard this fact, it must be examined. The easiest way of course, is to ignore this experience and start to theorise completely afresh on a purely abstract basis. It is difficult for me to take Bahro's position as a starting point for my own analysis because it

is not exactly clear where he stands. If I were pressed to tick a box whether he is for or against the market, in the end it seems as if he is against it. I don't agree with such a rejectionist approach. However, let me make it clear - I am not in favour of an unlimited and indiscriminate use of the market mechanism in a socialist society. My basic position on this has been stated, I hope unambiguously, in the essay 'Commodity Fetishism and Socialism' which appeared in my book *The Economics and Politics of Socialism*, 1973. So I won't repeat the argument here as it is unnecessary. I will try to discuss some problems; in my view the basic ones.

The market is a social and economic institution. The meaning and scope of this institution cannot be judged outside the prevailing system of the relations of production. From this point of view I think I am a very orthodox Marxist, more orthodox than Hillel Ticktin who talks about the market 'in general'. One must try to put it into a particular context. The relations of exchange never determine the socioeconomic character of the system. They are secondary to the fundamental relations of production, which in turn are linked to ownership and, in particular situations, to the political system as a socioeconomic (and not simply legal) category cannot be defined without reference to the political institutions. It follows therefore that one should not transplant the features and consequences of, for instance the market under capitalism, to the market under, (let us call it cautiously) 'existing socialism' where property relations, wealth, income distribution, organisation of the economic process are, or ought to be, different. The scope and functions of the market should be checked against the basic premises of the system, and we have to accept, - it is high time that Marxists and socialists came to terms with the problem finally - that there are no ideal solutions. Each solution adopted in reality will have its negative aspects. If we are looking for ideal solutions we will get nowhere. This applies in full to the scope and functions of the market under socialism: they have to be compared with other possible solutions, and not with an utopian ideal.

What kind of problems under a socialist system do we encounter with the market? Let us first delimit the spheres where market elements appear. In fact there are three such spheres and not just one as Hillel Ticktin implied. (Indeed at no point did he define what he meant by the market). I assume that he meant by the market the provision for greater autonomy of the enterprise within the Soviet-type economy system. But even before we arrive at this stage we already find other forms of market under existing socialism. The first is the consumer goods market. The second is what I unhesitatingly call the labour market. The third is the market which is much debated, between inter-enterprise relations and between enterprises and the state (central planners).

Let us turn to the first market and examine it. Any socialist society will be faced with the problem of distribution of consumer goods and services. One thing which can be safely dismissed - and here I agree with Hillel Ticktin - is the optimistic expectation of abundance in the traditional sense. Hillel Ticktin introduced the concept of relative abundance. All right. But the idea that the market will gradually disappear in the consumer goods sphere was not necessarily linked to a state of abundance, whether absolute or relative,

but to growing abundance. When I started to study economics forty years ago all the textbooks distinguished between economic and extra-economic (free) goods. These distinctions have now disappeared in the textbooks. Fresh water, air, etc., - the standard examples - are no longer defined in the traditional way as being free goods in abundance. In fact we move into a situation of more scarcity and not less. This does not mean starvation but it does mean that we have to take a closer account of scarcity in all kinds of allocational problem.

There is the question of either using the market mechanism here, or some other more direct method of allocation. How do we take account of existing constraints? We may leave the choice to the individual or the household. If we leave the choice between different types of consumer goods up to the individual, this makes it necessary to use the market mechanism, because the share of an individual or a household in total consumption is expressed in a general form, money, and the individual is free to choose within his budget constraint. We must, of course, attach a money tag to each good, to present the alternatives of choice. We may call them prices or not - its up to the convention. This is one type of constraint. Or we can have another kind which is much more specific and direct - this is simply called rationing. These are the solutions which can be applied, and no other. Of course, there may be a combination of the two.

The need to have constraints cannot be explained by 'immaturity of socialist consciousness' of the masses. It is not a question of greed. Even assuming that people are willing to restrain themselves, they must know what the rate of substitution is. Even if we were to assume relative abundance, it wouldn't mean necessarily, that it would be preferable to put everyone on the same average ration. And if only individual variations are permitted, one has to introduce some standards of substitution - by ration cards or by prices. One has to know what the constraints are.

Now, the scope of the market mechanism even in respect to consumer products is not identical with the scope of the incentive system, with earning differentials. We may have a system of complete equality of earnings, but again we have to decide: whether to distribute earnings in a general form - money; or in a specific form - rationing of particular goods and services. And if we look at the so-called social consumption fund, which in principle is distributed in a socialist society according to needs (which doesn't mean that all needs are satisfied, but that distribution is not according to the work contribution) even this is not identical with the question of market and non-market forms of allocation. We can distribute pensions in kind or in a general form, money. Some part of the social consumption fund is not distributed in kind, but in money. And what is distributed in kind? Such things that are regarded by society as not appropriate to be left to the choice of the individual. In a properly organised society you are not left with a choice of not sending your child to a school and to cash your corresponding share of national income. You are compelled to do it and this is justified. But wherever you are left with a choice, and I don't see why this goes against the principles of a socialist society, you have to learn to live with some form of market mechanism. I don't know what Hillel Ticktin's source of information is, but I

**think** that if you were to ask workers- not the imaginary stereotype of 'working class' but real workers - what they prefer, they would reject the system of rationing of consumer goods and prefer the market which leaves them with a choice, within constraints of course.

I don't need persuasion to see that the allocation of consumer goods by means of the market does have some negative consequences. For instance money is an easy means of carrying purchasing power into the future (not in inflationary times of course), accumulating it and transforming it into capital. This in turn may go against equality of opportunity for new generations. But I assure you that there are many other (so-called direct) forms, though the crux of the matter evidently lies elsewhere, in political control. From this point of view the question should be asked: What are the relative advantages and disadvantages of using one or another form of control and implementation of policies. There are no ideal solutions and I shall never dismiss pragmatic evidence, both for and against the market.

Let us look at the second market; the labour market. At first glance it appears to be incompatible with socialism. A labour market is not supposed to exist in Eastern Europe. One of the reasons why I and some of my friends were branded as revisionists in Poland was because we dared to use the term and to suggest there was an element of a labour market. This was interpreted as selling labour - a fundamental mark of capitalism. But again it is not so simple if we look at it in the context of the society as a whole. If we have a system where power belongs to a narrow ruling elite, the absence of a labour market doesn't indicate the elimination or abolition of oppression. Let us assume for a moment that everything that Hillel Ticktin has said about the USSR is true. Let us also assume that the market as a method of labour allocation is eliminated. Would this mean that labour relations would become less oppressive? Or maybe not oppressive at all? Nothing of the kind. Just the opposite. It was typical at the height of Stalinism to allocate labour, at least to a great extent, by direct and coercive means. This involved devices which are by now too well known to everyone to dwell upon. The enlargement of the labour market means more freedom of choice of occupation or job. Of course, the operation of a labour market is impossible without wage differentiation. But wage differentials were typical, and to a greater degree, of the Stalinist period of restrictions in the labour market - only the criteria were different. Whatever we may say about the progress of de-Stalinisation, it seems clear that greater freedom of choice in the sphere of labour must be one of the major features of any genuine de-Stalinisation. Again the labour market that operates within the context of a socialist society operates in a framework different from what we have, or assume, for a capitalist system: the overall supply of jobs is determined by the plan; the overall structure of the labour force by the system of education, training and retraining; the conditions of work by workers representatives etc. And finally, there is no unemployment. It is within this general framework that the use of the market and the role of relativities in remuneration can be discussed. If all this more often than not does not correspond with reality, it is not because of internal deficiencies of market forms of labour allocation.

Again it would be foolish to deny that there are no disadvantages in using

the labour market, particularly with regard to group conflicts about the relative shares in the overall remuneration fund. To what extent such conflicts could be avoided by direct distribution of labour, and whether wage differentials could be abolished with such direct distribution, cannot be stated for certain even by the most ardent opponents of the market.

Let us now turn to the third, best known and most controversial aspect of the problem of utilising the market mechanism in a socialist society. That is using the market mechanism for inter-enterprise relations and between enterprises and the planners. The question boils down to what extent some elements of self-regulation are compatible with a planned economy. I agree with Hillel Ticktin that in a socialist economy the starting point for planning should be use-value. But the question is at what level or degree of aggregation? If we think in terms of the economy as a whole, it means that in macro-terms we can never abstract ourselves from use-value. Those who can recall Marx's reproduction schemes may remember his introduction to the discussion of reproduction. He says there that in discussing the turnover of an individual capital we are not interested in the physical form of goods (we assume that the capitalist will find on the market the required means of production, labour skills etc). The position becomes different when we turn to the question of the turnover of the whole social capital. Then it is not enough to discuss it in value relations alone, it is essential to discuss proportions in physical terms. And this is what Marx tried to do in the reproduction schemes combining value and analysis and analysis in physical terms.

Any economy must be coordinated somehow. If one presents contemporary capitalist economies as totally uncoordinated and chaotic, one makes a mistake: it is co-ordinated by some combination of the imperfect model with direct intervention of the state. In a planned economy we start from the other end but again posing the question of the relation of planning to the market, we have to discuss to what extent we can use within the planned economy a direct form of allocation in kind or physical terms and to what extent we should rely on allocation in value terms. This is the real question. So, I don't accept the assumption of incompatibility between planning and the market. It should be clear from what I've said throughout my talk, that no incompatibility, but balance and proportion, between the two regulators is the proper subject for discussion. Complete elimination of a market mechanism means the total subordination of all economic units to direct co-ordination methods, to commands. This is frequently overlooked by people who on one hand favour self-management on the shop-floor and on the other hand are opposed to any form of regulated market mechanism as a tool of coordination. Autonomy must mean the introduction of self-regulation, obviously connected with the operation of the market (which should be controlled).

Thus, without entering into a technical discussion, what I have tried to describe here is a system of a planned economy with a regulated market. That is to say, at the macro-level fundamental decisions are taken, from which parameters are derived influencing market-type choices at the lower levels. This is not an easy balance, both conceptually and in terms of practical

implementation. It is full of contradictions, as is any other social process. And there is always the danger of pressures to move outside what can be regarded as legitimate limits. My objection to the blanket use of the term 'market socialism' is that the use of the market in different countries of Eastern Europe is so different: Soviet, Hungarian, and Yugoslav cases differ substantially.

What is the relationship between social interest and the market? Let me put a question to Hillel Ticktin. If the ruling elites are so interested in introducing the market, why has it proved to be so extremely reluctant to do so? All over Eastern Europe the elites, if they introduced any element of the market mechanism, did so only under enormous pressure. And, when the first opportunity to retreat arose, they went back to the command system. Hillel Ticktin in fact did not provide any real proof of a tendency to 'marketise'. They were 'talking about it' he said, but this is like the old Jewish anecdote: 'If I say that you will pay, you will pay; if I say that I will pay, I say.....' This in some way summarises the position of the elite. (In Yugoslavia the changes brought about in the 1950's which transformed the economy from being centrally planned to one with an increased role for the market, were to a considerable degree forced by the situation after the Soviet break).

On one point Hillel Ticktin and I agree - that a major precondition of a socialist system of planning is democracy. We can both talk in the same spirit of the necessity for democratic structures. But the question of democracy will never by itself solve the problems listed by Hillel Ticktin. These will only be solved by using *all* kinds of mechanisms within the framework of socialist structures. Hillel Ticktin's general approach to the transitional period viewed on a world scale seems therefore, utterly wrong. In effect his discussion of the problem under the broad heading of 'market' outside any specific context looks in itself like another form of market-fetishism.

## THE DISCUSSION

### *Mosche Machover\**

Although I agree with the general direction of Hillel's argument, I think that he does damage to his case by indulging in certain exaggerations and excesses. When he talks of the incompatibility between the market and planning this is clearly untrue, unless one means - as I think he means - the incompatibility between market and planning as a principle regulating mechanism. Obviously markets as such have existed and can exist in non-capitalist societies. There is no reason why elements of a market could not exist within a society where the principle regulating mechanism is planning. There is perhaps here some area of possible agreement between Brus and Ticktin. Also, when Hillel states that there is no mode of production in the

\* An editor of the journal *Khamsin* and joint author (with John Fantham) of the pamphlet *The Century of the Unexpected - A new analysis of Soviet Type Societies* (London, 1979).

U.S.S.R., this to me is absurd. It is impossible for a society to exist for fifty years, which has and does reproduce itself through definite institutions and relations. If something is reproduced in a more or less similar way over a long period of time, then it must be done through some 'mode'. Again, he states that the Soviet elite is not a class because it has no absolute control over the surplus and the working class. But then we would have to conclude that in capitalism there is no ruling class either! The capitalist class does not have absolute control over the surplus, or the working class, after all. Has any class in history ever had such absolute control? Finally, when he states that the 'Soviet elite has never been opposed to the market', this is both untrue and ahistorical. Who abolished N.E.P.? Who introduced the Five-Year Plan? To say that the Soviet elite was never opposed to the market is absurd. It is true that the heirs of this original elite are now faced with the possible necessity of the market. The interesting question is why? What is the historical reason for this change? Briefly, one can argue that the elite's objective historic role has changed. Having completed the process of non-capitalist (and non-socialist) industrialisation the elite and the system have now exhausted their historic role. Because of this historic change, the elite is faced with contradictions, which push it - despite its wish - to find all sorts of solutions: including the market. We should therefore pose the question historically and not as if it were unimportant whether we are talking of 1930 or 1980.

#### *Gus Fagan\**

I also want to take up some of the points raised by Hillel's contribution. In the traditional marxist discussion within the Left Opposition it was the 'primacy of the political principle' which defined the essence of planning. In other words production was not to be determined by the law of value working behind the backs of the population, but by conscious political decision, however imperfect and inadequate they may be; whatever the limitations of the technical environment. It is this 'primacy of the political decision' which Trotsky and the Left Opposition argued existed in the U.S.S.R. after 1929. Now if you define planning in the way Hillel has done, it suggests that planning can only exist in a classless society. For by his own admission planning requires abundance, full socialist democracy, nearperfect knowledge and zero growth. Now, if you define planning like that then it is clear that planning does not exist in the U.S.S.R. And this would imply that the differences between *Critique* and the F.I. are purely semantic. However, after what Hillel has said today I think that even though our differences were semantic at the beginning, they are no longer so. In speaking of the U.S.S.R. he argued that today it has no historic function and we cannot build on the U.S.S.R. any more than we can build on the capitalist countries. That is a very important statement. I would defend the traditions and positions of the Left Opposition, that there exists in the U.S.S.R. - no matter what the imperfections - the primacy of the political principle, and not the law of value. In any future socialist society this primacy of the political principle will be maintained.

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Something exists in the U.S.S.R. therefore which does not exist in the capitalist countries. To be logically consistent Hillel of course would not be able to defend the Soviet Union in a conflict with the capitalist countries. Also, and this is a real problem, the question would arise of what would or could be done in the aftermath of a socialist revolution in Europe tomorrow. One of the first tasks a workers' government would be faced with - in conditions of inherited division of labour, imperfect knowledge, imperfect democracy and where growth was essential - would be planning. What would be Hillel's position then? He would have to say that it is utopian, a nonsense, and is, and could only be, organised chaos. This would lead him to some very peculiar and odd political positions in that situation.

### *Steven Shinfield*

About three minutes before the end of his talk Hillel Ticktin promised to explain the sixty-four dollar question - that is, non-market methods of decentralisation. He admitted that decentralisation was a necessity and thought it could be done without the market. If this is so then this might be the ideal socialist solution. It should have been explained therefore. I would also argue that he had a very irresponsible attitude towards technical problems, which he seems to regard as being either irrelevant, or trivial. His view that linear programming or input-output analysis would be simple to implement only reflects a more general attitude amongst social scientists, who tend to be ignorant of technical questions. All technical problems are very important and difficult, and I do not understand this cavalier attitude which non-scientists have. Brus's advocacy of a 'planned market' might then be our best bet for the moment. But there are several problems. First in relation to the labour market. Part of socialists' attitude about labour power as a commodity has always been that the living experience of people becomes reduced to a mere means to an end, by forces which are determined outside their experience or control. Within a plan or market system the tendency is always to establish output goals and then to force people to fit into that plan - whatever their inclinations or work experience. Whatever the plan there should always be room for distortion so as to allow room for individual needs and desires. Also, with regard to prices, do they have to express the law of value, that is autonomous economic laws? Is it not possible for prices to be determined by political decisions? This could take into account not just problems of supply and demand, but also of the nature of work experience, the environmental conditions and so on. For example, work which was unpleasant or involved environmental degradation could have its price pushed up to a politically agreed level.

### *Steve Jacobs*

I would like to put a critical, but not unsympathetic question to Brus. That is, how does he envisage the socialist society, or economy which he has proposed, dealing with such problems as individualism, competition, self-gain, et cetera?

*Ms. Santano*

I want to follow from the last questioner. More precisely, I would like to hear more from Mr. Brus about the problem of income differentials which would be created by a labour market? What are his views on this at the moment and for a future socialist Europe?

*Don Filtzer\**

My remarks will be addressed to the problem of planning in general by way of a critique of the second speaker, Gus Fagan. To clear up an historical misconception - it is simply not true that the position of the Left Opposition was uniformly and always that there was some domination of an abstract 'political principle' over the market, or chaos. The fact is that at the end of the 1920s and in the early 1930s, when this new formation was just taking shape through the industrialisation process, there was a very wide-ranging debate. This involved the L.O. and the left wing of the Mensheviks whose journal was published in Berlin. In fact the primary means of classifying the new society was that it was 'planless', or 'non-planned' (*bezplannovost*) - organised chaos you might even say. Trotsky, following the political economy of Rakovsky (and it was Rakovsky who was the theoretical author of this idea within the L.O.) also agreed with this - until the mid 1930s when he changed. Why he changed has to be left for another discussion. How valid his later position was is another question. But what concerns us here, now, is how was it possible for so many at an earlier stage to arrive at the conclusion, which they did, concerning non-planning? This can only be understood in terms of the definition of planning which Marxists then held to. To be precise, they saw it as a social category - as a network of social relations. And they demanded on simple thing. That the outcome of instructions had to have some palpable and recognisable correspondence to the actual instructions themselves and the intention of those issuing them. It is formally easy to co-ordinate instructions, give orders to enterprises, to regional committees, to trade networks etc. But if the outcome itself has no correspondence, or only a minimal one, with the issued instructions, can we, or should we call this planning? You can, but only in the most ludicrous sense of the term! To invoke (as Gus Fagan did) the position of the Left Opposition (and to do so incorrectly, by the way) as some sort of moral imperative only obfuscates the actual problem raised by the formation of the U.S.S.R., and which we have to deal with, in a concrete way, today. And that is: how, in any future socialist society, will we actually arrive at the forms of social co-ordination whereby those implementing instructions will see it in their interest - because they will actually be managing the society - to carry out the instructions that are

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\* Author and translator of two important works *A History of Economic Thought* by Issac Ilyich Rubin (Ink Links, London, 1979) and *The Crisis of Soviet Industrialisation* by E.A. Preobrazhensky (M.E. Sharpe, New York and Macmillan, London, 1980).

formulated. That it is not true in the U.S.S.R. is only symptomatic of a fundamental antagonism between those at the bottom (and at all levels of society) and those issuing the instructions. This makes any social co-ordination, and hence, planning, impossible.

### *Vladimir Fiscera\**

Professor Brus mentioned some of the negative problems associated with the market. He also discussed various forms of 'compensation' such as the absence of unemployment. It was not clear whether he was referring to a purely theoretical problem, or to a concrete example. However we should keep in mind the Yugoslav experience. Whilst I have a deep respect for Yugoslavia, we should not forget that they have solved the problem of the market, not by avoiding unemployment, but by exporting it to the capitalist west. Also it seemed to me, that both speakers ignored a number of problems when they were proposing their different models. First, they did not take into account the existence of the world market. This was ignored. Second, they begged the question of what type of production there would be under socialism. It is not simply a problem of different production relations. There is also the question of what sort of products there would be. We mustn't unconsciously adopt the capitalist model of work or culture. We must also be aware that in global terms it is legitimate today to talk of the power and general influence of a dominant world-wide bourgeois culture. On the relationship of the social groups in Eastern Europe to economic reform I would like to follow up on certain things said by Brus. In both Yugoslavia and Czechoslovakia in 1968, workers certainly did not perceive the question in terms of either/or, plan v market. Their yearning for elements of the market - particularly in the first period of discussion in Czechoslovakia in 1968 - was first and foremost a negative reaction to their past experiences under a completely non-market system in the 1950s. To them this period was identified with total oppression by the bureaucracy. In the Prague spring it was in the factories that Ota Sik found his greatest support and organised his first meetings. This was well before the discussion on self-management. Sik was perceived as the first and main ally of the workers when they were attempting to build an alternative to the bureaucracy in the factory. In turn this leads me to ask Hillel whether or not we need a more refined sociology of the elite than the one he has given. What 1968 revealed was a clear divergence between managers and bureaucrats. In general they are not on the same side of the fence in the debate on the market. Certainly, in the first phase (or period) of opposition in Eastern Europe, one normally finds an alliance between managers, trade unionists and communist oppositionists against the bureaucracy. It is only later, as political and ideological debate intensifies, that this alliance is destroyed. In general I would have liked to have seen

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more concrete examples from Hillel on these general sociological problems. Finally, is it not ironic that the rehabilitation of the managers and technical expertise in the eyes of the workers, occurs after the experience of Stalinism? Is that not the ultimate cunning of history? Could it not be the way in which capitalism could be rehabilitated - although this tendency is not perceived in the first period when the Stalinist system begins to disintegrate.

*Ivan Hartel\**

I want to raise one point following on from the last speaker. Perhaps the most fundamental issue in Eastern Europe is the relationship between political democracy and economic reform. The Czech experience of 1968 highlighted the fact that once the classical phase of centralised Stalinist planning had become outmoded, it gave way to a short period of liberalisation, in which the interests of the liberal wing of the elite and the working class seemed to coincide. This is what Vladimir Fiscera drew our attention to. This only lasts for a short period. Pandora's Box is opened up. However, the fundamental problems cannot be solved at this stage of the historical process. Whilst there is still division of labour genuine socialist democracy will never be achieved. This will only occur in a classless society.

*Katarina Katz*

I am not an expert on this subject, but nevertheless I would like to make a few loose suggestions. I was glad that Brus both distinguished between different types of market, and tried to define what is meant by a market. Discussing the problem without having first defined it is quite useless. My own view is that there should be a difference in our attitude towards a market for producer goods and a market for consumer goods. For basic consumer goods in a socialist society, their distribution could take place without either a market or rationing, at least in the U.S.A. and Western Europe. It would mean a tremendous saving of social resources if people could just pick up consumer necessities without money or rationing. In the non-basic consumer goods area, people could choose between different types of luxury and unnecessary goods. (That could be done through a market, using money). As far as the labour market is concerned, I think it is false and dangerous to identify 'freedom to choose' one's occupation with a labour market. Under capitalism people are not really free to choose their occupation - this is an illusion. What a genuine labour market gives is not freedom, but insecurity. It also forces people to take undesirable and unwanted work. The most difficult question is the market for producer goods. This raises the whole problem of their price. It wasn't clear what Brus had to say on how these prices should be formed. The question also arises that if various forms of disagreeable work are to be reflected in the cost and price of the related products, it means that

\*Czech socialist in emigration since the Soviet occupation.

one enters into the rather arbitrary sphere of social evaluation. That is the problem of the social utility function with which bourgeois economists have been struggling (unsuccessfully) for the past fifty years. It is also a problem under socialism. If you want to decide quantitatively how socially useful a thing is, one approach has been tried by so-called mathematical economists and the system of dual prices through linear programming. But that is equivalent to planning. You then need exactly the same amount of information. This information in an unequal and repressive system like the U.S.S.R. and Eastern Europe is not forthcoming, however. The direct producers and workers have no interest in giving correct information to the planners whose interests are diametrically opposed to theirs. In a socialist society this problem of information might not be completely solved, but it would certainly be considerably improved by producing basic necessities and many other consumer goods locally. You don't have to sit in the World Planning Office of the World Socialist Republic and decide what kinds of shoes should be produced in every village and community all over the world! This could be done by the producers and consumers together. It would mean diminishing alienation. It would lead to a breaking down of the division which exists between producer and consumer. Perhaps the Chilean experience between 1971 and 1973 provides some working examples of this in the form of the Committees for Provisions. Lessening alienation in this and other ways would also mean that people would consume less, simply because there would not be so much compensatory consumption as now exists. Bahro talks a lot about this. It is very important. One of the reasons we consume so much under capitalism, why we want so many 'things' is that we cannot satisfy other basic needs about our own work, what should be produced and in general cannot fulfil ourselves in society. This also reflects the fact that we cannot obtain cultural and intellectual satisfaction. So, I think relative abundance is entirely feasible, but only if we change the meaning of abundance and needs. Life would then be less a matter of colour TVs, and more a question of being together with other people, developing our cultural and intellectual faculties and in the broader sense, of having increasing control over our own lives.

## CONCLUSION AND SUMMARY

*Professor Brus*

First of all let me express my satisfaction with the discussion. The whole question was cut to size and approached in a concrete way. Also, I agree that we should take into account the general environment - that is to say the world market that was mentioned by one speaker. Thirdly, the discussion centred less on the general question of the incompatibility of plan and market and more on how the two elements could be balanced and brought together. I do not object to those who argue that such and such degree of market is unnecessary or incompatible with socialism. But the main conclusion of our discussion should be that this is a problem which cannot be discussed in very general terms. It has to be approached - I slightly hesitate to use the term - in a

pragmatic way. Historical experience of existing socialist societies cannot be ignored either. Finally, I would also like to say that I fully agree with the point made by one speaker about the cavalier attitude of some socialists to technical questions.

Now there is the basic problem raised by the first speaker. Certainly we can speak of the incompatibility of the two regulators, market and plan, as *principal* regulators. This is the distinction between capitalism and socialism. The first is predominantly unplanned, the second is predominately planned. But within the principle of planning we can still use the market as an instrument of policy, and the scope of this use (within the basic principle) can only be decided pragmatically. Planning would only cease to be the principal regulator, in my view, if a capital market were introduced into the economy. This leads me to the question of unemployment. If there is no possibility of macro-distribution of income between investment and consumption in such a way as to secure full employment on a national scale, I think that this would be tantamount to an admission that planning has ceased to be the principal instrument of allocation. That is why I distinguish between 'market socialism' - which means a system where the market has effectively become the principal regulator (even though there might be state ownership) - and the operation of the market within an overall planning system. From this point of view I said that it would be wrong to call the Hungarian system market socialism.

I do not identify the use of the market and the law of value. It is only where the market becomes the principal mechanism of allocation (and without monopolistic distortions) that the law of value operates via the market process. When the fundamental allocation decisions are not necessarily taken according to the exigencies of the law of value, the use of a regulated market mechanism as an instrument of influencing decisions at lower levels does not necessarily lead to conformity with the law of value. One can visualise the use of the market as a better tool than direct target planning for achieving the planned objectives.

Let us move on to the question of labour and the labour market. Should one even call all forms of allocation of labour in Eastern Europe a labour market? I would like to argue that many of the real problems, such as motivating people to do disagreeable work etc., have a better chance of being solved through what I call the market mechanism, than under any system of direct, mainly coercive, distribution of labour. We remember the Stalinist way of solving the problem of labour allocation, particularly in Eastern Siberia. The methods of mass mobilisation and ideological campaigns are also unsuitable in the long run, and sometimes enthusiasm is used to cover up for the lack of proper working conditions, proper remuneration etc. The real solution is neither coercion nor mobilisation. One has to take into account all factors involved and reflect them in costs, proper wages and living conditions. This limits both economic and political arbitrariness by an autocratic elite.

What is the relationship between a labour market, inequality and income differentials? I cannot see why the reintroduction of a labour market should necessarily widen income differentials and inevitably lead to greater social stratification. Is this not one of the myths that deserves to be re-examined?

From the point of view of stratification, privileges (both monetary and in kind) were greater under the Stalinist system of a restricted labour market than is now the case. An article appeared recently in the *Cambridge Journal of Economics* (3/1979) on the impact of the economic reform on income differentials in Hungary. It shows that there was some increase in wage differentials, which is obvious when remuneration is linked with the results of the enterprise: the dispersion must increase. But first, even this rather limited effect has nothing to do with vertical stratification, because it affects (possibly temporarily) differentials within the same category of workers, only employed in different enterprises. Secondly, this was counteracted in Hungary by the distribution of other benefits, which resulted in an unchanged structure of *income* differentials. Hence some increases in wage differentials between workers did not lead in the broader sense to any significant inequalities. This is not to say that the introduction of market elements will never lead to, or carry the potential of, widening income differentials. What I am arguing is only that there is no automatic connection between the two, as there is no automatic connection between non-market forms of distribution and the weakening of vertical stratification. In my own personal experiences I never saw more inequality than in the Stalinist, pre-reform epoch when distribution was centralised and a large part of remuneration was made in kind. The injustices were in both the relative and in the absolute sense.

One of the speakers raised the problem of the effect of the market reforms upon human attitudes like self-gain, individualism and the competitive ethos. It seems true that a wider use of the market may have such consequences. This cannot be denied. But again I can testify on the basis of my own experience that the market is by no means the only source of such attitudes. Having lived in the west for the last seven years, I must say that the spirit of acquisitiveness and general fetishisation of 'things' among ordinary people seems to me weaker here than in the USSR and other Eastern European countries. It is simply untrue that only a market system generates these particular attitudes. In all situations one must be prepared to counteract them in so far as they prove to be socially harmful. This is similar to the problem of prices and the market reforms, which cannot be free from negative consequences. But this does not mean that we should abandon the search for rational price systems. Again, I don't see the point of discussing these things in purely ideological terms, without considering the alternatives, particularly when experience can be examined.

Finally, what is it that we want from a socialist economy? Surely it is not full employment with low productivity and poor organisation. I think we expect from socialism the ability to combine full employment with high productivity. Some people regard unemployment as a condition for high efficiency - this is wrong I believe. The basic principle of planned distribution on a macro-scale should secure full employment nationally. But we need to solve within this framework the problems of incentives, economic ties, and worker's self-management. All of these problems require, in my view, that we take the ideological sting out of the problem of the market under socialism. There are many more dimensions to the problem than are usually recognised by those who stick to the simplistic notion of the plan and market under socialism as merely opposites.

*Hillel Ticktin*

I think we have a clear difference here. I do not think it possible, or even desirable, to be anything other than ideological. I would argue that there are no economic categories which are not social. Anyone who attempts to discuss economic categories in a technical way, apart from their social environment, can only fetishise them. There has been a definite tendency here, (and not only here), to try to separate out the indivisible, by placing social categories on one side, and economic categories on the other. I think this is impossible. It might be feasible to do this under full communism. But we are talking about capitalism and the transition period. Under these circumstances any economic category will be a political-economic category as well. We cannot say on the one hand, that the market will have definite socioeconomic consequences (because otherwise it would not be a market) like competition, a particular pricing structure, greater differentials; and then on the other hand, try to analyse the market as if it were some sort of neutral, asocial, technical device. This is impossible.

Even Professor Brus admitted that the introduction of the market would lead (and indeed has led in Hungary) to greater income differentials. We might try to compensate for this, but differentials must be a result of a market. Only amongst the workers, he added. But this misses the point. Who needs more? Do the managers and others require more money? They already have enough. What is happening is that their position is being consolidated by the growth of differentials amongst the workers and intelligentsia. The possible introduction of the market is not to give the elite more, necessarily, but to legitimise it. In the U.S.S.R. in 1966 Libermann made it clear that the reforms had led to greater differentials between the intelligentsia and the workers. In an interview, Kosygin even admitted that this was the aim of the reform. Of course it leads to this. What else is a market? It has no alternative consequence.

I was accused of not defining the market. This is true. I assumed it. I take the market to mean the sphere in which the law of value is in operation. I also believe that the law of value cannot be separated, or remain separate from the law of surplus value. The law of value has its own logic. You may try to offset this, to counter the necessary tendencies inherent in the law of value. With the law of value one must have of necessity (and nobody has tried to argue against this) abstract labour. Instead of the workers controlling the system they are controlled. One must look at it, as I have tried to do, from the point of view of the worker in the system. Also, as I have argued, the market must lead to competition. Why on earth introduce the law of value otherwise? It must lead to unemployment also. In the U.S.S.R. and Eastern Europe they have tried, and would like, to introduce it. What else is the Shchekino experiment? Economists in the U.S.S.R. have said that unemployment should be introduced. A market also means production for profit and not in the interests of society as a whole. This cannot be avoided, nor can the hereditary principle, as Professor Brus himself admitted. It is impossible to avoid the general effects of a market. There is a need for them. In the last analysis it must lead to a particular form of control over the worker. That is the essence of the law of value.

Perhaps the discussion revolves around another axis. That is, can you partially introduce the market and then control it? As I argued, in the classical transition period there will be two conflicting laws. This is where we will start in this situation. Some form of state capitalism. Planning will necessarily be imperfect planning at this stage. The question is, can one simply control the market and its various effects? That is, can one utilise it in a purely technical way. This seems to me to be utopian. Why have the market anyway? In the end, it must be to control the worker. There cannot be any other function. Now of course this will be denied. It will be argued that one can use it, one needs it, for purely technical reasons, such as information, etc. But what then is the basis of the law of value? What is the basis of this market? What is one adding up if it is not abstract labour? Again the question returns to control over the worker. This is what we must get back to time and again. Of course in the transition period we would have to have a market. It would be impossible to go over at once to full planning. But gradually the market would be phased out. You cannot 'ride the tiger' so to speak.

It is clear that a distinction must be made between what I have just described as a market, and what has been called a 'market' by Professor Brus. (I don't think he defined the market either, by the way!) Only in the bourgeois economists' definition of the term can it be argued that a market, or markets really exist in the U.S.S.R. and Eastern Europe. One has to redefine the whole concept of markets in order to argue that they exist in any real sense there - Particularly in the Soviet Union. The existence of 'money' in the U.S.S.R. doesn't mean that it is money in the proper sense. If, in order to buy anything in the U.S.S.R., one has to stand in a queue, or have the right contact and then pay money - is that a market? To have supply and demand alone does not create a market in the marxist sense. That is not the way I am defining it here. That is not what exists in the U.S.S.R. either. The crucial definition of the market has to centre around the law of value. We must distinguish this definition from the bourgeois use of the term 'market'. The marxist definition is above all a social category.

The question at this stage is not the immediate one of whether or not things would improve or get worse in Eastern Europe if one introduced the market at this moment. I don't know. It is perfectly possible that with large western loans the position of the worker might get very much better than at present. That is possible. Nor can it be argued that it is better to have a queue than have a choice. Who wants to stand in a queue? I did not argue against choice. Nor did I argue against the market because I favour the present system. That should be clear to everybody.

The more substantial question is why are there shortages and queues? Why not raise prices and thus abolish them? Does the elite like queues? No, of course not. The problem is that if prices were raised, those with money and privilege could buy what existed; those without enough money could not. Today, although one couldn't call it a fair or rational system, some proportion of people with less money than others can queue and obtain goods. The system is absurd; it is one of privileges; it still means that there is an elite. But in its present form some proportion of workers can queue and obtain meat - which is crucial. Consequently from the point of view of the

system's stability, it makes sense to maintain the situation in its present form. It makes political (if not economic) sense to subsidise meat and so on. This is not what we would like. But we have to look at the problem in terms of its own internal logic. Imagine therefore that the market is introduced tomorrow. Prices will rise. Subsidised meat will go. The result will be that the worse off will probably suffer. The consequences in political terms would be obvious. Hence we cannot discuss the question of introducing the market in some abstract way.

In effect it is essential not just to have an adequate definition of the market as people have argued. It is also necessary to analyse the socioeconomic structures in the U.S.S.R. and Eastern Europe in order to see what the impact of the introduction of the market would, or, could be. It is then clear why the elites there, whatever their own wishes, would find the introduction of any real market extremely difficult, if not impossible. But this can only be discussed in a non-technical way. We must look at the question in terms of real social relations and social interests. Who would benefit and why? Who wants the market? What would be its social, not to mention political consequences?

This is why I made a very sharp difference (which was largely ignored) between discussing the market in the classical transition period, and discussing it as it might be introduced today in the Soviet Union. They are different questions altogether. They must be treated differently. I would agree with Brus and others that a system of coercion is infinitely inferior to a market system and the market is preferable to Stalinism. But that is not the question. Marxists should be opposed to both and argue for a real socialist alternative to both.

This leads me back to the comments made by Gus Fagan. I think Don Filtzer dealt well with the points raised by Gus. But let us consider and ponder awhile on what is meant by the term 'primacy of the political principle' (which he uses to describe planning in the U.S.S.R.) as opposed to the principle (common to Marxists outside the I.M.G., I thought) of 'conscious regulation of society'. By his definition of planning one could be describing nearly all other systems apart from capitalism. What is worse, of course, is that in the period of 'most' planning (by his definition) when politics was truly in command, that is, under Stalin, you had the most disastrous situation in the whole history of the U.S.S.R. Can one realistically put on one side industrialisation and the 'primacy of the political principle' (planning so-called), and, on the other, in some way divorced from these features, the ruination of agriculture, the death (according to *samizdat*) of 17 million people, the growing inequality and the purges. Was this also due to the 'political principle'? Is this the way one should pose the question? Industrialisation in one corner and mass coercion in the other. If you put it like that, in terms of political control, then it clearly has nothing in common with marxist historical method, with socialism, or, of course, with planning. Gus's definition of planning is completely inadequate. Planning is entirely different to the way he conceptualises it. It implies particular political and social relations. Do they exist in the U.S.S.R.? It involves conscious social regulation by the associated producers themselves. Does this exist in the

U.S.S.R.? The answers are obvious.

Two other problems were raised by Gus Fagan. That the differences between *Critique* and the F.I. had always been semantic, but now it seemed they were not; and, that my position logically meant that we could no longer defend the Soviet Union. I'm rather surprised at this. From the beginning it was clear that the differences between us were never simply semantic. We never agreed with the F.I.'s view on the U.S.S.R. We have always argued against their characterisation of the Soviet Union as a degenerated workers' state, which has a superior economic system to capitalism by virtue of its 'planned' character. We have always insisted that the F.I. has a technical conception of planning. We have always argued that planning is *not* a technical relation. As soon as one admits that planning is a social relation, the whole question opens up and becomes more than a simple semantic difference. The opposition and the difference between us is very clear. You argue that there is planning - that the U.S.S.R. in broad historical terms is progressive - and that it should be defended. *Critique* stands opposed to all these connected positions. Also, could you explain what it is that you are defending? It is a real question. Quite a lot has come out in what Brus has said about Stalinism. One does not defend coercion. How can one defend a system which killed 17 million people? Can I ask whether today - with the increasing chauvinism in the U.S.S.R., the rising anti-semitism, the dropping of even formal Marxism as the official ideology - the F.I. still defends the Soviet Union? If the chauvinist Black Hundred elements came to power, is one still going to defend the Soviet Union? So what do we do? Defend the anti-semitic and anti-worker workers' state against the capitalist west? The question is meaningless.

It is another question whether one would be opposed to imperialism attacking the U.S.S.R. But then we would be against a western military invasion of Ghana, as we were opposed to U.S. intervention in Vietnam. But in terms of the U.S.S.R. it is really an abstract question.

Moshe Machover put his case very well. The differences are not that great. However I'm not clear what he means by a 'mode of production' existing in the U.S.S.R. Surely, for there to be a new (and presumably higher?) mode of production, the U.S.S.R. and Eastern Europe would have to be technologically superior to capitalism, and in some broader historical sense therefore, viable. But this is not the case. I don't see any purpose therefore in calling it a new mode of production. Second, I did not argue that the elite had no control over the surplus; or, that a class (to be a class) has to have absolute control over the surplus and the working class. The question is, whether the partial control exerted in the Soviet Union is less than exists in the capitalist west. Posed in these terms there is little doubt what the answer is. This is after all the real cause of the economic crisis in the U.S.S.R. and Eastern Europe today and why the elites there have been talking about the market. In the West, in economic terms, it is clear who has control and how that control is exerted. In the U.S.S.R. what are the elite's powers - again in terms of the surplus and the working class? Put like that, the 'power' of the elite is less than that of the ruling class in the West. One can't even talk of a collective elite in the U.S.S.R. as one can talk (even admitting of their internal competition) of a

collective capitalist class in the West.

If, then, I could conclude by urging you all to be against the 'higher realism'; to be against the approach which says: go slowly, make an adjustment here, and an adjustment there, and in this way we will arrive at our goal - in the end. I think this is simply untrue. When one has a system of exploitation - as one does in the Soviet Union and Eastern Europe - the question is not whether one introduces this or that into the system, but of its overthrow. Thereafter the question of the market, and the forms it might take, becomes easier to discuss. We agree that for a period of time there will be a market. But we do not agree that a market will exist forever. For, to return to my main thesis, the law of value and the law of planning are incompatible because they represent in the last analysis, opposing social interests and different social relations.

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