

THE SOCIALIST FETTER: A CAUTIONARY TALE

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*Bishop, I can fly,
The tailor said to the Bishop.
Just watch how it works.
And he climbed with things
That looked like wings
To the broad, broad roof of the church.
The Bishop passed by.
It's all a lie.
Man is no bird,
No one will ever fly,
The Bishop said of the tailor.*

*The tailor is done for,
The people said to the Bishop.
It was the talk of the fair.
His wings were smashed
And he was dashed
On the hard, hard stones of the square.
Toll the bells in the steeple,
It was all a lie,
Man is no bird,
No one will ever fly,
The Bishop said to the people.*

Bertolt Brecht'

The dreams of many have been dashed by the failures of actually existing socialism. For those who consider themselves Marxists, however, there are special complications. Few others are so congenitally disposed to accept historical experience as the Verdict of History.

The real as rational is the particular petard which has deprived Marxists of their footing. Prepared to accept every apparent crisis of capitalism as the reward for patient perseverance, as the revelation that the old is indeed dying, we look in shock at a machine gone mad. In the light of the economic and political crises of actually existing socialism (hereafter AES), the **Marxian** conception of history appears as the intellectual weapon not of the proletariat but, rather, of capital.

Consider what G. A. Cohen has aptly designated as the thesis of "the primacy of productive forces" — the dictum that the existence of a set of productive relations is explained by the level of development of the productive forces and that a new set of relations of production emerges when the old set "fetters" the productive forces.³ For generations of Marxists, this was the promise of victories to come and come.

Yet, today there can be little doubt that this systemization of the spare propositions of Marx's Preface of 1859 carries with it distinctly uncomfortable implications. It is bad enough that it follows from this thesis, as Cohen indicates, that capitalism "persists because and as long as it is optimal for further development of productive power and. . . is optimal for further development of productive power".³ There is also the inference that the present era of social revolution in the countries of AES is proof that socialism fetters the development of productive forces. Schumpeter's proposal in 1942 that Marxism permits a conservative interpretation thus has moved from insight to challenge.⁴ It is important to understand, however, that a quite different lesson may be drawn from the fall of AES.

I. The Austrian Challenge

Credit for the most consistent and systematic argument that socialism inherently stifles the development of productive forces must go to the Austrian School in economics. Beginning with Ludwig von Mises in 1920 and followed by Frederick Hayek and more recent adherents to this school, they have argued that, as a system for progressively developing productivity and satisfying human needs, socialism is unworkable.

At the core of their argument is the absence of the entrepreneur in socialism. Austrians stress the alertness of individual entrepreneurs to opportunities for new ways of doing things (eg., new markets, new combinations of factors of production, new forms of organisation, etc.) as the driving force behind the development of productivity.⁵ That alertness has as its basis the search for profits: "Human beings tend to notice that which is in their interest to notice."⁶

In this argument, too, the market plays a special role. By providing the information that permits decentralised decision-makers to discover the productive potential of their resources and by penalizing (via competitive rivalry) those who are not alert to the potential opportunities for gain, the market process is an essential part of the dynamism of capitalism. From this perspective, socialism with its common ownership of the means of production (and, a fortiori, with central planning) must inevitably fail.

For many years, Oscar Lange's theoretical demonstration that a market socialist economy could satisfy the efficiency criteria of

neoclassical economics was widely accepted as an adequate refutation of the early Austrian argument.⁹ Yet, in recent years, buoyed perhaps by the failures of AES, modern Austrians have gone back to re-interpret the Lange debate. In the course of this, they have drawn a much clearer line between mainstream neoclassical arguments which emphasize static efficiency market considerations and the Austrian focus on the entrepreneur as the driving force in the market process.¹⁰ As Don Lavoie, the most influential of these revisionists, has argued, only a mainstream neoclassical (Walrasian) argument against the possibility of socialist efficiency was refuted by Lange; indeed, the Lange argument itself is shown to be completely within the bounds of the static, competitive equilibrium argument of neoclassical economics.¹¹ Thus, the Austrian focus on entrepreneurs in a dynamic disequilibrium market process emerges unscathed in the recent readings of the famous debate.

To be sure, since the main focus of von **Mises'** original argument stressed the impossibility of forming prices for means of production (and thus permitting rational economic calculation) under common ownership of the means of production, it is somewhat high-handed to declare that Lange's demonstration that prices do not require markets scored no **points**.¹⁰ Our concern here, however, is not with the retrospective determination of winners and losers in an old debate. (Indeed, Lavoie is sensitive to the charge that he may be reading "modern Austrian positions into the earlier Austrian **contributions**."¹¹) Rather, it is the product of the conjunction of the resurrected Austrian position and the failures of AES which bears attention.

For market reformers despairing of effective reform of the economies of AES, the new reading of the Lange debate has facilitated the explicit incorporation of Austrian arguments. Thus, the Polish economists Brus and **Laski** (in their new book, *From Mam to the Market*) explicitly accept **Lavoie's** updated version of the old **exchanges**.¹² Lange, they note, responded to the Austrian challenge "by presenting an essentially Walrasian system without the capitalists". Yet, that model "overlooks the true central figure of the capitalist system, namely the entrepreneur *sensu stricto*."¹³

Rather than the "robots" (Lavoie called them automatons) who populate mainstream neoclassical economics (and Lange's model) and mechanically optimize on the basis of given data, Brus and **Laski** indicate that the real entrepreneur must be "an acute observer of the emergence of new alternatives, as well as a creator of them". And, the entrepreneurial "intuition" itself is "generated by actually finding oneself in a competitive situation" (as in capitalism's competitive struggle for **profits**).¹⁴ Since none of this is present in Lange's model

of market socialism, one cannot conclude that Lange refuted the "Mises/Hayek challenge". That challenge is whether the entrepreneurial behaviour necessary for static and dynamic efficiency is "at all imaginable for economic actors who are not principals operating on their own risk and responsibility, but only agents employed by a public body which in itself is rather unfit for entrepreneurial behaviour".¹⁵

Although Brus has long stood out among market reformers for his unequivocal advocacy of a democratic socialism, the acceptance of the Austrian *desiderata* has made an undeniable mark on the Brus and Laski arguments.¹⁶ While granting AES's successes in expanding the industrial base of backward economies through the use of central planning, Brus and Laski stress both the very high costs and the inherent limits of the particular growth strategies followed." At the core of the problem is the discouragement of innovation and the inbred conservatism of the command system. Accordingly, having indicted the Marxian theory of socialism and the command system of AES for failing to acknowledge the importance of prices in conveying accurate information (in order to compare economic alternatives) and for providing weak incentives for innovation, Brus and Laski turn their attention to the market-oriented reforms in countries of MS.¹⁷

And, here again, the Austrian influence is telling. It surfaces in their criticism of early market reform models which, in accordance with Marxist theory, reserved decisions over the extent and direction of accumulation to the state.¹⁸ Without a capital market (providing autonomy for individual state enterprises in following market signals), the functioning of competition in product markets is weakened: the "kind of competition generated by the entrepreneurial spirit of 'creative destruction' " is unlikely "without access to venture capital and new spheres of activity".¹⁹

Similarly, the absence of a proper labour market has also reduced the possibility of effective market coordination. "The absence of market-type opposition between 'buyers' and 'sellers' as far as labour is concerned presents a formidable obstacle to the achievement of a market ('rational') price of labour, and by itself throws the door open to bureaucratic coordination."²⁰ Thus, the problem is not enough reform, not enough of a movement to market coordination of the economy.

Yet, the Austrian spectre does not simply haunt their criticisms of the early reform efforts. For, it is striking that, having constructed a model of the "consistently reformed system" of "market socialism proper" (MS) which includes capital and labour markets, Brus and Laski proceed to question that system itself on the grounds of the appropriateness of state ownership at all.²¹ At issue is whether state

enterprises "will behave exactly as their capitalist counterparts, displaying the same level of microeconomic efficiency and the same alertness to opportunities offered by technical progress and by changes in the parameters of the system". In short, "is MS — requiring full independence of firms and true entrepreneurship — compatible with the dominant position of public (state) ownership of the means of production?"³¹

Their answer is — probably not. Even if the state were to adopt the position of mere rentier, remaining an interested observer of recreated wage struggles within enterprises, the real problem of entrepreneurship at the level of the firm would remain. What the socialist manager would still lack is "the material foundation of responsibility for risks when the venture fails. He does not risk his own capital, and this, as emphasized by Hayek long ago, makes it highly probable that he will err either on the side of recklessness or on the side of **over-cautiousness.**"³² In short, "fully fledged market conditions resemble. . . the game of poker, which can hardly be played without risking one's own stake".³³

Yet, Brus and Laski do not give up on their idea of a "consistently reformed system" of market socialism. Despite its inherent problems, state ownership remains important to them as a source of revenue, as an instrument of Keynesian-type policy and as a means of ameliorating income and wealth **inequality.**³⁴ Thus, although admitting that the "pure logic of the fully fledged market mechanism" suggests private enterprise as "the more natural constituent of the enterprise sector of MS", they claim "the case for state enterprise should not be regarded as inevitably lost". Brus and Laski remain supporters of socialism — although the "open-ended" system they describe is one which Marxists (as well as von Mises) would deny the designation of socialism.³⁵

Brus and Laski are not alone, however, in their absorption of the Austrian theory. Janos Kornai, the Hungarian economist, has similarly valorized that theory in his studies of the failures of the economies of AES. In the case of Kornai, on the other hand, the adherence to socialism ends with a bang.

In his 1986 review of the Hungarian reform process, Kornai also accepted Lavoie's ("outstanding") reconstruction of the Lange debate and dismissed Lange's "sterile world of Walrasian pure theory":

What got lost was the crucial Mises-Hayek-Schumpeteridea regarding "rivalry". In a genuine market process actors participate who want to make use, and can make use, of their specific knowledge and opportunities. They are rivals. In that sense the market is always in a state of dynamic disequilibrium. The total potential of all rivals normally exceeds actual demand. Some win and some lose. Victory brings rewards: survival, growth, more profit, more income. Defeat means penalties: losses, less income, and in the ultimate case, exit.³⁶

Whereas Kornai at this point endorsed the proposals of "radical reformers" in Hungary for a market socialist model similar to that of Brus and Laski, he expressed muted concerns about the adequacy of their treatment of the substantial question of ownership and property rights.²⁹ With the revolution in Hungary, however, Kornai has emerged as a full-blown adherent to the Austrian School; the title of his recent book, *The Road to a Free Economy*, indeed, is a conscious echo of Hayek's earlier *The Road to Serfdom*, and the book itself is an application of Austrian-type arguments for capitalism.³⁰

There should be no surprise, then, that Kornai's paean for the "free economy" extols private property, the "flexibility, initiative, ability to quickly recognize and exploit opportunities, and freedom of entry and competition" within a market economy — and, of course, the entrepreneur (who includes "only those who are willing to risk personal financial loss").³¹ Nor is he out of character here when he dismisses market socialism as a "fiasco" and scoffs at the futility of hoping that "the state unit will behave as if it were privately owned and will spontaneously act as if it were a market-oriented agent".³²

Everywhere, the Austrian ethos prevails — whether it concerns a progressive income tax ("It gives me no moral satisfaction to see above-the-crowd people being pulled down to the lowest common denominator") or the difficulties facing the Hungarian people in the course of their transition to a "free economy":

"Respect should not go to those who moan the loudest, but to those who stop whining. . . The old adage 'God helps those who help themselves' has never been more appropriate."³³

What is especially important, however, about Kornai's newly declared faith is his insistence that the ideas in his new book are not the result of a sudden epiphany but, rather, "follow closely" from his many years of concrete study of the economies of AES.³⁴ And, that bears some consideration. Kornai's analysis has achieved a significant degree of hegemony (and underlies much of the discussion of Brus and Laski and many others). Accordingly, it is important to examine that analysis to understand the extent to which it, indeed, provides support to the Austrian argument that socialism inherently fetters the development of productive forces.

II. The Analysis of Kornai

Perhaps the most intriguing aspect of Kornai's work has been his conscious effort to understand AES as an organic system and to uncover the laws of motion of that system.³⁵ In his early study of central planning in Hungary, for example, he emphasized the extent to which centralisation generated shortages which, in turn, generated the need

for centralisation. Excessive centralisation, he proposed at the time, is a "coherent, unified mechanism, which has its own inner logic and several tendencies and regularities peculiar to itself".³⁸ Consistently, it has been "the immanent regularities of a socialist economy" which have interested Kornai, and much of his work has been the attempt to identify the "state permanently reproduced by the general economic laws and by the system-specific intrinsic regularities".³⁹

Although Kornai's most recent book is more of a pamphlet (hastily written to influence Hungarian political decisions) than a systematic study, the same theoretical orientation shows itself in his concern for policy proposals that "add up to an organic whole". In this case, Kornai's efforts are directed to setting out the measures necessary for the development of capitalism as an organic system in Hungary and for the "organic historical development of private property".⁴⁰

Kornai's fame (and his claim to a future "Nobel Prize in Economics") is based largely upon his analysis of the system-specific intrinsic regularities of AES as those producing a shortage economy as a normal state. As he indicated in his earlier works, the chronic shortage characteristic of AES brings with it many specific attributes — a dominating position for the seller (seller's markets), the burden of adjustment and forced substitution for buyers, the full utilisation of resources (including labour), hoarding (on the part of consumers and firms), a lack of discipline and diligence on the part of workers and a disinclination on the part of producers to innovate.⁴¹

Initially, Kornai attributed this pattern to the command system and to the centre's "impatient chasing of economic growth, the forcing of the acceleration of the growth rate", which reproduced both shortages and centralisation.⁴² As long as this approach continued to achieve much (especially in drawing labour reserves into the production process), many of the dysfunctions associated with the shortage economy went ignored. Nevertheless, sooner or later, the system was bound to face inherent barriers with the emergence of chronic labour shortages. ("The exhaustion of labour reserves is sufficient in itself to force the economic system to leave its old growth path for a newer and much slower one.")⁴³ Accordingly, the apparent solution was an end to directive planning and its replacement by the introduction of a socialist market economy.

This is what Kornai subsequently described as characteristic of the position of the "naive reformer".⁴⁴ For, after all, it soon became clear that the pattern of chronic shortage continued despite the emergence of market reforms in Hungary. Kornai's subsequent explanation, then, focussed in particular upon the behaviour of the managers of state firms. Identifying with their positions and with the success of their enterprises, the managers had an insatiable demand for

resources. ("He is convinced that the activity of the unit under his charge is important. Therefore it has to grow.")⁴¹ Thus, in behaviour typical of bureaucrats, the enterprise managers were determined to maximize their own budgets. And, since it was not their own money they were spending, the result was an unquenchable expansion drive which became a more important explanation for the reproduction of shortages than the growth policy of the centre.⁴²

Nevertheless, despite Kornai's emphasis upon the behaviour of the managers, the ultimate explanation of the production of shortages rested elsewhere. In particular, the problem was that the state adopted the paternalistic practice of bailing out firms when they were in difficulty. As a result, the firms functioned with "soft budget constraints"; and, not only were they able to expand without risk, but the absence of the potential penalties (eg., failure and bankruptcy) associated with a hard budget constraint meant that the firms were relatively unresponsive to the market. Rather, then, than truly functioning as market-oriented agents, the firms remained dependent upon the state in what Kornai described as a situation of "dual dependence" (a combination of bureaucratic and market co-ordination).⁴³ Thus, the hopes of the market reformers were disappointed; the experiment was a "fiasco".

What was needed, Kornai accordingly argued, was that the central authorities recognise the negative effects of their paternalism, harden the budget constraints of firms so that they were fully dependent on their own revenue, and introduce slack into the economy to permit it to operate more efficiently. But, this didn't happen. And, Kornai now argues it will never happen "as long as the state sector remains the dominant sector in the national economy".⁴⁴

Unlike those who argue that it was the system of administrative planning and management (obsolete productive relations) that developed into a fetter or those who attribute continuing inadequacies to the failure as yet to adopt a "consistently reformed system", what makes Kornai's argument distinctive among the reformers is that he identifies the problem as one inherent in socialism.⁴⁵ In the "ethical principles of a socialist economy" (especially those of solidarity and security), Kornai finds an essential contradiction with the necessary conditions for economic efficiency.⁴⁶

Thus, he argues that the budget constraint in socialism will not be hardened because of the concern of a socialist state for the maintenance of employment. ("It is practically incapable of deciding to eliminate jobs en masse."⁴⁷) The elimination of unemployment (which "debases human dignity, forcing workers to humble themselves before the employers") is for Kornai an element of the security and solidarity which are essential principles of socialist

ethics. But, that very commitment to full employment *also* is in contradiction to the universal requirements for efficiency.⁵¹

For Kornai, guaranteed full employment is a policy that protects the careless and the lazy. The chronic labour shortage (and the seller's market for labour it produces) "loosens workshop discipline, deteriorates work quality, lessens workers' diligence". In short, "the worker's *absolute* security, the unconditional guarantee of employment, encourages irresponsibility in anyone susceptible to it".⁵¹ Yet it is not simply the lack of efficiency and discipline on the part of workers which makes market socialism inherently inferior to **capitalism**.⁵² In this shortage economy, fostered by state paternalism, the wages paid by state firms are as well too *high*.⁵³

State managers cannot enforce "wage discipline", and this "Achilles' heel" of socialist market reforms occurs because "the **state-owned** firm operates in a no-man's land that is neither a command economy, where wage discipline is enforced through bureaucratic means, nor a genuine market economy, where private ownership simulates this discipline". In contrast to capitalist relations, where "the natural interests of the *private* owners run counter to excessive wage increases" (and where increases will only occur "if the marginal productivity of the worker is not less than the wage"), the manager of a state firm faced with wage demands or tensions in the workforce "merely transfers the money of an impersonal state to his workers".⁵⁴ Only the "replacement of state ownership with private ownership" can alter this situation. "Only private ownership can pit a natural 'antagonist' against the employee who demands a wage raise; this antagonist is the owner, who pays wages out of his own pocket."⁵⁵

Thus, for Kornai, market socialism is inherently flawed because it is unable to enforce either workplace or wage discipline — *i.e.*, to stimulate the dependence of the wage-labourer regularly reproduced within capitalism. And, at the core of the problem is the adherence to the principles of socialist ethics, which prevents the hardening of the budget constraint. Ultimately, this is the bottom line. The "effective constraint" in socialism is neither the non-ownership of means of production by managers of state enterprises nor their desire to maximize their budgets. It is not that the managers, could they be relieved of state paternalism and be firmly subjected to hard budget constraints, would fail to display entrepreneurship in the market. *Rather, the effective constraint is the inability of the socialist state to discipline the managers of its various divisions and to act like a good capitalist owner.*

Accordingly, socialism is fated to reproduce conditions of chronic shortage, with all the inefficiencies that this entails. It inevitably must hold back the development of productive forces — because it lacks

capitalists (either in the managers of state enterprises or in the state as owner of a multi-divisional firm).³⁸ It lacks entrepreneurs — because an entrepreneur by definition must be the antagonist of workers and must pay workers out of his own pocket. And, finally, it lacks a genuine market — because the characteristic of a market which will propel entrepreneurs into rivalrous competition with other sellers is one in which there is excess supply ("the total potential of all rivals normally exceeds actual demand"); neither the incentive nor the proper economic calculation thus can exist in the shortage economy characteristic of socialism.

Nothing is easier, of course, than to dismiss Kornai's findings as relevant to socialism as such. One need only state that AES was and is not socialism. There are certainly many bases upon which to do this. According to one's particular preferences, it can be argued that true (actually non-existing) socialism utilises neither money nor markets, requires democratic self-management by producers, is inconsistent with a one-party state, is free of bureaucratic rule or distortion and/or cannot exist in one country (or any subset of the world).³⁹

Since it is rather difficult to reconcile Marx's concept of socialism as the association of free and equal producers with the domination over workers characteristic of AES, the point is certainly well taken. Accordingly, from this perspective, it may be confidently observed that between ill-starred AES (the object of Kornai's study) and socialism as such, there is a large and unbridgeable gap.

Naturally, this stand would appear to be upon rather firmer ground if it could be demonstrated that the fetters on the development of productive forces identified by Kornai as characteristic of AES are not of the essence of socialism. Can we truly say this, however, about the principles of socialist ethics which, for Kornai, are in contradiction with the requirements for economic efficiency? Do we envision a socialism where, for example, the principles of solidarity and security for individuals and communities or the priority of the general interest over partial interest do *not* prevail?

On the contrary. These are not contingent characteristics of socialism. As Kornai notes, these principles can be traced back to the dawn of the labour movement in capitalism.⁴⁰ Not only do the very characteristics which for Kornai are antagonistic to efficiency — policies ensuring security of employment and insulation of workers' incomes from the effects of market forces — have workers in AES as the immediate beneficiaries, but they also correspond to the historic goals of workers as wage-labourers within capitalism. Michael Bleaney, indeed, has recently argued in his survey of the problems of AES that trade union attitudes within capitalism "are in large degree

reactions against the everyday behaviour of market forces, and, in effect, against hard budget constraints".⁴⁹

Rather than phenomena alien to socialism, the principles of socialist ethics identified by Kornai are inherent in one of its defining elements — the common ownership of the means of production. Not only does this element underlie guaranteed access to the means of production and security in the claim to the fruits of production for workers, but it also provides the impetus toward conscious co-ordination of the elements of **production**.⁵⁰ Given a socialist state's commitment to these goals and to common ownership, the persistent interference in the life of firms that Kornai identifies in the Hungarian experience thus also emerges as more than a chance phenomenon: "bureaucratic coordination is as much the *spontaneous* effect and natural mode of state property's existence as market coordination is of private property."⁵¹

In short, state property (which "belongs to everyone and to no one") is the socialist fetter; it is contrary to the requirement of adequate incentives, the disposition for innovation and risk-taking and the necessity for personal responsibility on the part of **decision-makers**.⁵² The problem, it thus appears, is that whatever one may think about the legitimacy of the claim of **AES** to the designation of socialism, the specific features of **AES** identified as fetters *do* seem to be of the essence of socialism. In this respect, the analysis of Kornai *cannot* be so easily dismissed.

III. *The Dilemma of Socialism*

The tailor has fallen, and the Bishop has proclaimed that no one will ever fly. What is there left for a Marxist to say?

When the relations of production fetter the development of productive forces, an era of social revolution begins and a new set of productive relations emerges. Thus, a classic Marxist textbook case: the fettering of productive forces by the common ownership of means of production, social revolution and. . . capitalism. Twist and turn as they may, those Marxists who accept the thesis of the primacy of productive forces cannot escape the unambiguous logic of their own lessons.

But that thesis has always been a distortion of the essence of **Marx's** position. Consider the inference (noted earlier) drawn by G. A. Cohen that capitalism "persists because and as long as it is optimal for further development of productive power". Missing from this ready-made formula is any **hint** that capitalism may persist even if it is *not* optimal. Missing is the recognition that capitalism may persist because the very process of capitalist production reproduces workers who view the necessity of capital as self-evident:

The advance of capitalist production develops a working class which by education, tradition and habit looks upon the requirements of that mode as self-evident natural laws. The organization of the capitalist process of production, once it is fully developed, breaks down all resistance.⁶³

The critical silence in the thesis of the primacy of productive forces revolves about the nature of human beings produced within an economic system. Those who fall prey to its determinist message can never explain why Marx believed that the political economy of the working class he elaborated in *Capital* was so important that it was worth sacrificing his "health, happiness and family" or why he never ceased to stress that workers make themselves fit to found society anew only through the process of struggle. Rather than reflecting Marx's position, the thesis in question is characteristic of a one-sided Marxism that has lost sight of the subjects of **history**.⁶⁴

Yet, there is another side to this question. If productive relations can be suboptimal and nevertheless persist in the absence of people able and prepared to replace them, can we not also propose that productive relations may be optimal and yet be replaced in the absence of people prepared to support their continuation? Rather than the displacement of science by some variety of voluntarism, this is a rather fundamental aspect of **Marx's** discussion of capitalism. It is the very point of his distinction between the "natural laws" of capitalism "once it is fully developed" and the requirements "during the historical genesis of capitalist production" — when it was not possible to rely upon the worker's "dependence on capital, which springs from the conditions of production themselves and is guaranteed in perpetuity by them".⁶⁵

Fully developed, capitalism produces a relative surplus population through its inherent tendency to alter the labour process and to increase the technical composition of capital; it thereby regularly reproduces the dependence of wage-labourers which is a condition of its existence. Until this point, however, Marx argued that "the rising bourgeoisie needs the power of the state" to enforce that dependence on capital. The mere existence of capitalist property relations in themselves was not sufficient. "It is not enough," Marx **observed**.⁶⁶

It is not enough because, in the absence of the buyer's market for labour, neither the relation of dependence nor the feeling of dependence of the worker on capital were reproduced in the ordinary course of **events**.⁶⁷ Thus, in order to prevent the restoration of the private property of workers in their means of production (and the reproduction of forms of production resting upon the personal labour of the independent producer), "artificial means" were required:

In the old civilized countries the worker, although free, is by a law of nature dependent on the capitalist; in colonies this dependence must be created by artificial means.

The secret discovered in the New World by the political economy of the old world was simple: *the conditions necessary for the reproduction of a set of productive relations differ according to whether there is in existence an organic system or whether that system is in the state of becoming.*⁶⁴

Characteristic of a fully developed organic system is that all its necessary presuppositions are reproduced as the result of its own existence:

While in the completed bourgeois system every economic relation presupposes every other in its bourgeois economic form, and everything posited is thus also a presupposition, this is the case with every organic system.

An organic system, nevertheless, does not drop from the sky; its historical process of development "consists precisely in subordinating all elements of society to itself, or in creating out of it the organs which it still lacks". Only by reshaping its historical presuppositions, "the conditions of its becoming", into results of its own "being", can an economic system stand on its own **foundations.**⁶⁵ This was the mark of capitalism's completion — its material conditions and productive relations "are on the one hand the presuppositions of the capitalist production process, on the other its results and creations; they are both produced and reproduced by it".⁶⁶

Kornai's arguments appear in a rather different light in the context of this distinction between a developed organic system and one in the process of becoming. All the aforementioned deficiencies of common ownership of the means of production and the principles of socialist ethics cannot be said to be deficiencies *in themselves*. Within what Marx envisioned as the higher phase of communist society (communism as it has "**developed** on its own foundations"), there is no such theoretical inconsistency between socialist ethics and the development of wealth: initiative, innovation, entrepreneurship are logically part of a society in which individuals produce ("as human beings") within a relationship marked by the conscious recognition of their interdependence and their unity and where their activity is its own reward ("life's prime want").⁶⁷

If the inconsistency is not present in the utopia of the higher phase of communist society, it is however pervasive in Marx's lower phase (communism "as it **emerges** from capitalist society"). For, despite common ownership of the "material conditions of production" and **co-operative** production (present in both phases), what distinguishes the lower phase is the private ownership of "the personal condition of production, of labour-power".⁶⁸ It is precisely this particular productive relation which yields the well-known distribution relation of the lower phase of "to each according to his

contribution". For, insofar as producers look upon their labour-power as their property, like all private owners they demand a *quid pro quo* for their property; they will not expend their productive energy (which includes not only their physical strength but also their initiative and innovative potential) unless they are assured of receiving its equivalent in return.

Let us admit frankly that where there is a combination of common ownership of the means of production and private ownership of labour-power, many of the characteristics of AES (as described by Kornai and others) will be produced. Regardless, indeed, of whether the principal means of coordination of economic activity is plan or market, each of these defining elements of socialism acts upon and deforms the natural tendencies of the other. Thus, whether it is, for example, the distortion of the information required for planning (due to the self-interest of the information-providers) or the reduction of personal incentive resulting from the focus on common property, characteristic of the combination of these two types of ownership is inconsistency.¹³

Yet, rather than an incidental conflict between the principles of efficiency and socialist ethics, *the underlying problem is that socialism is not itself an organic system*. Its defining characteristics belong to two different organic systems.¹⁴ With respect to communism, the private ownership of labour-power and the associated characteristic of self-orientation are elements of an alien organic system.¹⁵ Despite the existence of "the co-operative society based on common ownership of the means of production", socialism for Marx necessarily contained a historical premise yet to be reshaped — a "defect" as seen from the perspective of communism as a developed organic system.

Let us consider, then, communism as an organic system. What are the conditions which would lead producers to look upon the requirements of co-operative production based upon the common ownership of the means of production as self-evident natural laws? Among these is the condition that the productivity advantages arising from associated producers "expending their many different forms of labour-power in full self-awareness as one single social labour force" are manifest.¹⁶ That is, given the superior productivity which emerges from the conscious combination of labour under conditions of common ownership of the means of production, the likelihood that individuals or groups could produce as efficiently by turning their back on common property and co-operative production would be slim.

Further, the fruits of this direct social labour would have to be sufficient both in general and particular to provide producers with the assurance that their individual needs could be satisfied (if not

immediately, then in the future) simply by virtue of membership in the community. Implied here is a conscious means of identifying the particular needs of producers and ensuring the allocation of labour in such a way as to secure "the correct proportion between the different functions of labour and the various needs of the associations".¹⁷ Under such conditions, the incentive for individual producers to seek alternative ways to satisfy their needs would be minimal.

We are, of course, describing a situation in which communism is clearly the optimal form for the development of productive forces and the satisfaction of needs. Given its superiority as a form of production, the dependence of individuals upon the community is regularly reinforced, and its requirements appear as self-evident natural laws.

Thus, the recognition of the benefits of production in common produces a particular attitude among producers such that any tendency on the part of individuals to shirk or free ride is minimised. (There is no need for surveillance other than that inherent in the disapproval of co-workers). Similarly, given the assurance that needs can be satisfied as the result of membership in the community ("to each according to his needs"), individuals work well because of the satisfaction they receive from their activity; they innovate and are alert to better ways of doing things for the very same reason — their contribution (and the approval of the community) is its own reward.¹⁸ They "notice that which is in their interest to notice" as members of a community. Communist "entrepreneurship", in short, is inherent in the very nature of the relations among people within this society of associated producers.

In such a situation, common ownership of the means of production is reproduced in the ordinary run of things. Communism here is an organic system. All its premises are the result of its own functioning; it "proceeds from itself to create the conditions for its maintenance and growth".¹⁹

Thus, elements which appeared inconsistent in their combinations within earlier forms of production now are part of the logic of the system itself and are here able to develop fully. Clearly, the principles of socialist ethics noted earlier, which emerged historically in the opposition of workers to the logic of capital, find their full realisation in communism as an organic system. Rather than contrary to the principles of efficiency, they are here their condition.

Similarly, the desire of all to do the best possible job and therefore to have all the resources at one's disposal to achieve this goal does not appear here as a deficiency attributable to the "bureaucrat". Nor does this desire bring with it under these conditions an inherent check to efficiency; the democratic association of free producers

would presumably recognise that at any given point there were limits to production and thus, necessarily, would place a hard "budget" constraint upon the satisfaction of particular needs. But, within this structure, such limits would be a spur to initiative by associated producers.

Within Communism as it has developed upon its own foundations, there is clearly no need for "artificial means" to ensure its reproduction. The dependence of producers on the community "springs from the conditions of production themselves and is guaranteed in perpetuity by them". But, what about the case where all communism's premises are *not* yet the product of its own functioning?

Assume that there is co-operative production based upon common ownership of the means of production and that communism is at this point the optimal form for the development of productive forces and the satisfaction of needs *but that the producers continue to treat their labour-power as their private property*. Under these circumstances, there will be recurring instances in which individual producers withhold their energy, initiative, etc. in the hope of securing higher private returns. Yet, under the assumed condition of the superiority of communist production, such self-oriented behaviour will increasingly be recognised as irrational and will become the exception.

Alternatively, assume that producers have accepted as common sense the logic of working in common *but where communism as a form of production is not yet the optimal means for satisfying needs and developing productive forces*. In this case, the very behaviour of producers will be the basis for the development of productive forces and the establishment of communism as the optimal system. In both these cases, we are describing the *development* of communism as an organic system, which "consists precisely in subordinating all elements of society to itself, or in creating out of it the organs which it still lacks".

Yet, the same conclusion would not follow if *several* elements were lacking at the same time. If communism is *both* not as yet a superior economic system and there is also a continuing orientation to the private ownership of labour-power, then the regular reproduction of common property and the free association of producers "comes up against the most mischievous obstacles, which are in part insuperable".¹¹¹ The combination of required material incentives *and* the advantages present for engaging in other than communist production means either that individual producers will have to be rewarded with a stake in the results of their past labour (thereby tending to the disintegration of common ownership of the means of production) or that the absence of sufficient personal incentive will produce the reduced activity which is manifested in stagnation.

Let us grant, then, the Austrian school its arguments. Selfishness is necessary for progress — insofar as no alternative motivation for human behaviour is present. The capitalist entrepreneur is essential — in the absence of the development of communist entrepreneurship. Communism, in short, requires more than the negation of capital. For the proletariat to truly abolish and transcend (*aufheben*) capital, it must also abolish the proletariat; it must absorb and preserve characteristics which formerly could only appear as attributes of capital and which were necessarily separated from wage-labour. In the completed communist system these economic relations presuppose every other — not in its capitalist but in its communist economic form.

We have here the dilemma of communism as it emerges from capitalism. Socialism, the lower phase of communist society, necessarily reproduces in the normal course of things neither the common ownership of the means of production nor the dependence of producers upon the community. The reproduction of the elements of communist production thus requires under these conditions the use of "artificial means".

IV. *The "Artificial Means" of Socialism*

Before capitalism produced its own presuppositions, there was a point when, even though capitalist property relations existed, capitalist production was neither manifestly superior nor did producers "by education, tradition and habit look upon the requirements of that mode as self-evident natural laws". There were cases of the restoration of older forms of production as the result of the struggles of those for whom security and solidarity was to be found in the community of peasant producers. And, there were alternatives to production under capitalist relations (such as co-operative production by artisans) — especially during that phase which historians designate as "proto-industrialisation". ■

Under these circumstances, artificial means were required in order to secure the dependence of the wage-labourer upon capital. What artificial means are available to the communist society which still is dependent upon historical presuppositions?

The answer requires us, above all, to understand the socialist defect. And that is where Marx's discussion of the "inner dualism" of the village commune in Russia is useful. The commune, he noted, has "common land ownership" but, in practice, "each peasant cultivates and works. . . his plot, reaps the fruits of his field. . . on his own account". ■ This dualism, he proposed, "may eventually become a source of disintegration". The commune "bore within its own breast the elements which were poisoning its life"; and, "the key factor was

fragmented labour as the source of private appropriation". It was this, Marx argued, which was the "dissolver of primitive economic and social inequality" and which "introduced heterogeneous elements into the commune, provoking conflicts of interest and passion liable to erode communal ownership first of the cultivable land, and then of the forests, pastures, waste ground, etc."⁸³

The same inner dualism is present in the socialist combination of common ownership of the material conditions of production and private ownership of the personal condition of production. The very idea, however, that the path to communism as an organic system consists in relying upon the element which is both properly part of another organic system and which is a source of disintegration of common property seems rather perverse. *In the absence of the already-existing superiority of the communist form of production, the development of a new common sense which accepts the logic of production in common to satisfy human needs appears to be the only route to the creation of conditions in which communism produces its own presuppositions.*

The alternative (and historical) argument is well-known. It proposes that, rather, what is required is the development of the productive forces which can make communism a superior economic system and that this entails continuing dependence upon the distribution relations dictated by the private ownership of labour-power.⁸⁴ *Yet, this is what precisely the arguments of Kornai (and Brus and Laski) deny.*

Rather than demonstrating the potential for developing an advanced economic system in which the emergence of abundance permits the withering-away of the self-orientation of the producers, the inner dualism of socialism in this view produces a situation in which the combination of the alien principles of efficiency and socialist ethics "manifests the disadvantages of both conspicuously, and suppresses their advantages".⁸⁵ The inconsistency requires resolution. For those concerned about the development of productive forces and the growing satisfaction of needs, we have seen that the real choice appears to be one between the rejection of socialism in favour of capitalism and the rejection of socialism (in all but name) in favour of an "open-ended" simulation of capitalism.⁸⁶

Perhaps this, then, is the major lesson to be drawn from the accounts of the disaffected reformers. They show that every concession to the old world is in itself inadequate and calls for ever further concessions until the common ownership of the means of production itself is seen as an aberration. In the process, as Brus and Laski show (by tracing out the "full implications" of the market-oriented resolution), the very conception of communism as a rational

system is acknowledged as "utterly fallacious".⁸⁷ The point, to be sure, is not new. It was made clearly in 1965 by Che Guevara:

The pipe dream that socialism can be achieved with the help of the dull instruments left to us by capitalism (the commodity as the economic cell, individual material interest as the lever, etc.) can lead into a blind alley. And you wind up there after having travelled a long distance with many crossroads, and it is hard to figure out just where you took the wrong turn. Meanwhile, the economic foundation that has been laid has done its work of undermining the development of consciousness. To build communism it is necessary, simultaneous with the new material foundations, to build the new man.⁸⁸

Consider, then, some of the elements critical to the building of the new human beings for whom the requirements of communist production are self-evident. Self-management in the process of production (co-operation) is clearly an essential element. Not only did Marx consider the co-operative factories within capitalism to be "the first examples of the emergence of a new form", but co-operative production (the conscious recognition of the interdependence of producers within a productive unit) was identified as characteristic of both lower and higher phases of communist society.⁸⁹

There is nothing very profound about this point. Insofar as people produce themselves in the course of all their activities, the very process of engaging in democratic forms of production is an essential part of producing people for whom the need for co-operation is second nature. In this respect, Marx's proposal that the Russian peasants' familiarity with occasional co-operative production in the *artel* "could greatly facilitate their transition from small-plot to collective farming" was a recognition of the importance of human experience.⁹⁰ "When the worker co-operates in a planned way with others," Marx noted, "he strips off the fetters of his individuality, and develops the capabilities of his species."⁹¹

Yet, self-management of particular productive units in itself cannot be sufficient. The attitudes of co-operation, community, solidarity and the spirit of volunteerism — which neither the market nor an overweening state can generate — are elements of a communist society which must be nurtured before it can develop on its own foundations. We need not say more about these values because they are a familiar part of every movement for social justice. It suffices to say that, in their conscious emphasis upon human needs, these values are the diametric opposite of the selfishness and self-orientation stressed by the Austrian school and its latter day adherents such as Kornai.

More than simply a focus on the centrality of human needs, however, what is critical is that the necessity to engage in collective solutions to their satisfaction become recognised as a responsibility of all individuals. Where a sense of community and a

confidence in the benefits of acting "in full self-awareness as a single social labour force" are called for, a state over and above civil society cannot produce the people who have these characteristics. Rather, only through their own activities through autonomous organisations — at the neighbourhood, community and national levels — can people transform both circumstances and themselves.⁸² What is called for, in short, is the conscious development of a socialist civil society.

Of course, it must be stressed that insofar as socialism does not proceed from human beings produced in a self-less way in a society founded upon common ownership, we necessarily are talking about a society in which personal material interest continues to play a central role. We cannot ignore this, and the attempt to do so can produce disaster. But, this does not mean inscribing a "defect" upon society's banner. The exclusive focus upon self-interest produces the wrong types of people, people who not only cannot build a new society but who also will tend to reproduce capitalist institutions. Thus, the project must be one of causing these attitudes to "wither away" — not through the apocryphal advance to "abundance" but through the conscious fostering of the development of a socialist civil society.

What, then, are the "artificial means" required to establish the conditions in which communism can become an organic system? Just as capitalism needed artificial means to ensure the dependence of the wage-labourer upon capital, socialism also requires them — to ensure the dependence of producers upon the community. Two measures appear especially important. As long, for example, as the self-orientation associated with the private ownership of labour-power continues, it is essential to prevent the disintegration of the common ownership of the means of production — as a holding **action**.⁸³ Secondly, until the requirements of communist production appear as self-evident, special efforts are needed to develop such attitudes — and this requires not merely exhortation but the **actual creation of** democratic and decentralised forms in which people change themselves in the course of changing circumstances. Both these measures are an essential part of the process of producing dependence of producers upon the community. *They are artificial in that neither is necessary in fully developed communism.*

There should be no illusion that this is a simple or short process. The general direction, however, is quite different to that suggested by the propositions associated with the thesis of the primacy of productive forces. Rather than a focus upon productive forces as the condition for the development of communism, there is a stress here upon human beings and the development of the institutions which will permit their emergence as people for whom the requirements of production in common appear as self-evident natural laws. The

emphasis, in short, is upon the development of a process designed to remove the *real* socialist fetter.

V. *Where Do We Go From Here?*

De te fabula narratur. The story of the fall of AES is intended as a cautionary tale for us all. Its purpose is to explain that socialism cannot succeed. All attempts to build a just society will fail. Forget about social ownership; forget about all the accomplishments and inroads resulting from past struggles to satisfy needs. Privatise. Unleash the entrepreneur. Free capital from restraints. It was all a lie. No one will ever fly.

But, the struggles will continue — and, they will continue to advance an alternative logic to the logic of capital. Implicit in those struggles to satisfy human needs are the values of a communist society, the principles of socialist ethics. That process of struggle can displace capital from its position as mediator among producers, which it holds by virtue of its ownership of the products of labour; and, it also has the potential to create a socialist civil society within capitalism in which we produce ourselves as people capable of creating the just society we seek. ❧

Although different on the surface, the struggles are similar in AES. With its lack of democratic and co-operative production, its absence of a socialist civil society, and its actually existing bureaucratic rule, AES has certainly not produced the human beings for whom the requirements of communist production are self-evident. When we consider the cynicism, the retreat into private lives, the everyday accommodation to anti-social and illegal acts, the ripping off of social property, etc. described by so many observers, we are quite justified in wondering whether AES offers any prospects for the passage to a communist society. Indeed, the question which emerges is whether it is possible to get there from here? Is it, rather, necessary for people to retrace their steps back to capitalism and then to attempt, through the inevitable struggles which emerge from the contradiction between human beings and an inhuman existence, to try again?

We should not be so quick, however, to reach this conclusion. Even though bureaucratic rule has been in the name of the common ownership of means of production, it has always been constrained by the ideology associated with common ownership (which was a condition of its existence). That residue of common ownership remains. And, although it should not be assumed that such attitudes are in anyway permanent (especially given their coexistence with quite contradictory perspectives), neither should it be assumed that these principles of socialist ethics **count, for** nothing.

Certainly, this is not a mistake that those advocating the re-institution of capitalism make. The campaign for the introduction of capitalism in AES has been overwhelmingly an ideological campaign — an attack on the attitudes towards solidarity, security, equality and egalitarianism associated with the common ownership of the means of production.⁸³ Small wonder that Kornai's *Road to a Free Economy* emphasises the need not only for "a revolutionary change in institutions, but also one in thinking"; small wonder that his not-entirely optimistic pamphlet identifies as paramount the dangers of the existing ideology.⁸⁴

These values, insofar as they still remain, are clearly the basis within AES upon which to build. Will the people of AES be able to do so? Only they can determine that. For our part, we should support every struggle to prevent the privatisation of common property, to insert real content into that common ownership and to build a socialist civil society. It is their struggle, and it is ours.

Modern bishops will do their best to preach their lesson from the experience of AES. However, it is critical to remember that it is only from the perspective of capitalism that common ownership of the means of production and the associated principles of socialist ethics are the elements in socialism which appear as defects. The lesson to be drawn from the cautionary tale by socialists is different. No one should ever again try to fly with those things that only look like wings.

NOTES

1. Bertolt Brecht, "Songs for Children, Ulm 1592" in Bertolt Brecht, *Selected Poems*. Translation by H. R. Hays (New York: Grove Press, 1959).
2. G. A. Cohen, *Karl Marx's Theory of History: A Defence*. (Princeton; Princeton University Press, 1978), Ch. 6, *passim*.
3. *Ibid.*, p. 175. The implication is, of course, present in Marx's comment that "no social formation is ever destroyed before all the productive forces for which it is sufficient have been developed". Karl Marx, "Preface" to *A Contribution to the Critique of Political Economy* in Marx and Engels, *Collected Works*, Vol. 29. (New York: International Publishers, 1987), p. 263.
4. Joseph A. Schumpeter, *Capitalism, Socialism and Democracy*. (New York: Harper Torchbook, 1950 [1942]), p. 58.
5. The emphasis upon the "alertness" of the entrepreneur is most closely associated with the modern Austrian theorist, Israel Kirzner. In many respects, this focus parallels the central role that Schumpeter (considered not quite orthodox by other Austrians) earlier assigned to the entrepreneur. Cf. Israel M. Kirzner, *Discovery, Capitalism and Distributive Justice* (Oxford: Basil Blackwell, 1989), pp. 60-2. Joseph A. Schumpeter, *The Theory of Economic Development* (New York: Oxford Books, 1961 [1911]).
6. Israel M. Kirzner, "The Primacy of Entrepreneurial Discovery", in Institute of Economic Affairs, *The Prime Mover of Progress: The Entrepreneur in Capitalism and Socialism* (London: IEA, 1980), p. 16.
7. Oskar Lange, *On the Economic Theory of Socialism* (New York: McGraw Hill, 1964 [1938]).

8. See, in particular, Don Lavoie, *Rivalry and Central Planning: The Socialist Calculation Debate Reconsidered* (Cambridge: Cambridge University Press, 1985), pp. 100-113.
- Quite early, Maurice Dobb noted in his review of the Lange book that the real economic problem of socialism was ignored and that increased productive power took "precedence over the question of securing a theoretically perfect adjustment between the output of various types of consumption goods". *The Modern Quarterly* (April 1939) reprinted in Maurice Dobb, *On Economic Theory and Socialism* (New York: International Publishers, 1955), pp. 244-5.
10. Ludwig von Mises, "Economic Calculation in the Socialist Commonwealth [1920]", reprinted in Alec Nove and D. M. Nuti, eds., *Socialist Economics* (Middlesex: Penguin Books, 1972).
11. Lavoie, *op. cit.*, p. 26. He argues, however, that the distinctions between neoclassical and Austrian arguments were always present but were clouded by the eagerness of the Austrians to "embrace neoclassical economists as marginalist allies against the threat of resurgent classical value theory in the form of Marxism". *Ibid.*, p. 3.
12. Włodzimierz Brus and Kazimierz Laski, *From Marx to the Market: Socialism in Search of an Economic System* (Oxford: Clarendon Press, 1989), pp. 57, 159.
13. *Ibid.*, p. 57.
14. *Ibid.*, p. 58. Lavoie, *op. cit.*, p. 107. In the Austrian argument, the data is not given but is discovered and created in the course of rivalrous competition.
15. Brus and Laski, *op. cit.*, pp. 58-9.
16. See, for example, W. Brus, *Socialist Ownership and Political Systems* (London: Routledge and Kegan Paul, 1975).
17. Brus and Laski, *op. cit.*, Ch. 3, "The Objective of Catching Up", *passim*.
18. *Ibid.*, pp. 43-6.
19. They comment that the attitude of orthodox Marxist theory towards the capital market "must be that of outright and uncompromising rejection". *Ibid.*, pp. 73-6.
20. *Ibid.*, pp. 80-1.
21. *Ibid.*, pp. 84-5.
22. *Ibid.*, p. 105.
23. *Ibid.*, pp. 131-2.
24. *Ibid.*, pp. 140-1, 145-6.
25. *Ibid.*, p. 142.
26. *Ibid.*, pp. 147-9. Since, however, "MS seems hardly feasible in practice without a sizeable non-state sector competing with state enterprises on equal terms, state ownership cannot be the only factor determining distribution", p. 149.
27. *Ibid.*, p. 149. For von Mises' exclusion of such an economy as "socialist", see Ludwig von Mises, *Human Action: A Treatise on Economics* (Chicago: Henry Regnery Company, 1966 [1949]), pp. 258-9.
28. Janos Kornai, *The Road to a Free Economy. Shifting from a Socialist Economy: The Case of Hungary* (New York: W. W. Norton & Company, 1990), p. 57n. Janos Kornai, "The Hungarian Reform Process: Visions, Hopes and Reality", *Journal of Economic Literature*, Vol. XXIV (December 1986), p. 1727.
29. *Ibid.*, pp. 1733-4.
30. He indicates that he was "greatly inspired" for his chapter on "Ownership" by works on property rights in socialism, and he singles out von Mises' 1920 essay and Lavoie's book. *The Road to a Free Economy*, p. 34n. *Ibid.*, pp. 22-3, 49, 175. In addition, he argues that "in some of the developed capitalist countries the intervention in the life of the individual and in the economic activity of private property is unnecessarily frequent", p. 45n.
32. *Ibid.*, p. 58. In this respect, Kornai echoes von Mises' rejection of attempts to

have people "play market" and his assertion that "a socialist system with a market and market prices is as self-contradictory as is the notion of a triangular square", von Mises, *op. cit.*, pp. 707, 710.

33. Among the suggestions that he makes is that people grow fruit and vegetables in their gardens. Kornai, *op. cit.*, pp. 123, 182.
34. *Ibid.*, pp. 31, 211-2.
35. The discussion here draws upon a more extensive consideration of Kornai's argument in Michael A. Lebowitz, "Kornai and Socialist Laws of Motion", *Studies in Political Economy*, No. 18 (Autumn, 1985).
36. Janos Kornai, *Overcentralization in Economic Administration: A Critical Analysis Based on Experience in Hungarian Light Industry* (Oxford, 1959), p. 215.
37. Janos Kornai, *Growth, Shortage and Efficiency: A Macrodynamic Model of the Socialist Economy* (Berkeley: University of California Press, 1982), p. 125; Janos Kornai, *Economics of Shortage* (Amsterdam: North-Holland, 1980), pp. 144-5.
38. Kornai, *The Road to a Free Economy*, pp. 18, 52, 80, 93.
39. See, in particular, Kornai, *Economics of Shortage*, Brus and Laski credit Kornai's "clear and comprehensive" demonstration that the reasons for the lack of success of AES are "systemic", *op. cit.*, p. 35.
40. Janos Kornai, *Anti-Equilibrium: On Economic Systems Theory and the Tasks of Research* (Amsterdam: North-Holland, 1971), pp. 321, 168, 186.
41. Kornai, *Growth, Shortage and Efficiency*, pp. 108, 114-7; *Economics of Shortage*, p. 235.
42. Kornai, "The Hungarian Reform Process", p. 1728; Kornai, *The Road to a Free Economy*, p. 58.
43. Kornai, *Economics of Shortage*, pp. 62-3, 191-4, 547.
44. Kornai's argument here, as he notes, is consistent with that of the conservative economist, W. Niskanen. See, eg., W. Niskanen, "The Peculiar Economics of Bureaucracy", *American Economic Review* 58 (May 1968) reprinted in Eirik G. Furubotn and Svetozar Pejovich, eds., *The Economics of Property Rights* (Cambridge: Ballinger Publishing, 1974); Kornai, *The Road to a Free Economy*, p. 60n. Kornai, *Economics of Shortage*, pp. 63, 556.
45. Kornai, "The Hungarian Reform Process", pp. 1693-7.
46. Kornai, *The Road to a Free Economy*, pp. 62, 111.
47. Abel Aganbegyan, *The Challenge: Economics of Perestroika* (London: Century Hutchinson, 1988), pp. 15-6, 22; Anders Aslund, *Gorbachev's Struggle for Economic Reform: The Soviet Reform Process, 1985-88* (London: Pinter Publishers), p. 26. Nikolai Shmelev and Vladimir Popov, *The Turning Point: Revitalizing the Soviet Economy* (New York: Doubleday, 1989), Ch. 3, "The Administered Economic System", *passim*. Brus and Laski, *op. cit.*, pp. 66-71, 75, 81-3, 105-6.
48. The principles of solidarity and security imply the elimination of the fear of unemployment and of the "cruelty of capitalist competition, which casts out the weak". An associated principle, the priority of the general interest over the partial interest implies a focus on the long-term interests of society. Janos Kornai, "Efficiency and the Principles of Socialist Ethics", in *Contradictions and Dilemmas: Studies on the Socialist Economy and Society* (Budapest: Corvina, 1983), pp. 125-6. 132-5.
49. Kornai, *The Road to a Free Economy*, pp. 111, 141.
50. Janos Kornai, "Efficiency and the Principles of Socialist Ethics", *op. cit.*, pp. 124-6, 131-2.
51. *Ibid.* pp. 131-2; *Economics of Shortage*, p. 255.
52. Note that von Mises argued that, in the capitalist market economy, workers

know that "laziness and inefficiency are heavily penalized on the labor market", *op. cit.*, p. 677.

53. Kornai's description is strikingly reminiscent of Marx's comment on the colonies where "not only does the degree of exploitation of the wage-labourer remain indecently low. . . (but) the wage labourer also loses, along with the relation of dependence, the feeling of dependence on the abstemious capitalist". Karl Marx, *Capital*, Vol. I (New York: Vintage Books, 1977), p. 936. See also Michal Kalecki, "Political Aspects of Full Employment [1943]", in E. K. Hunt and Jesse G. Schwartz, eds., *A Critique of Economic Theory* (Middlesex: Penguin Books, 1972).
54. *The Road to a Free Economy*, pp. 98-9.
55. *Ibid.*, p. 144. Recall the concern of Brus and Laski about the "absence of market-type opposition between 'buyers and sellers' as far as labour is concerned".
56. Kornai's analysis clearly offers little support to those who persist in describing the economies of AES as "capitalist".
57. Brus and Laski quite nicely set out the distinction between the conditions of backwardness under which AES emerged and the presumed requirement that socialism would issue forth from a mature capitalist system ("The Historical Regularity in Reverse"). Recognition of this gap, however, does not deter them from making inferences from AES about the "utopian" aspects of Marx's original conception. *Op. cit.*, Chs. 1 and 2, p. 36.
58. Kornai, "Efficiency and the Principles of Socialist Ethics", *op. cit.*, p. 125.
59. Lebowitz, "Kornai and Socialist Laws of Motion", *op. cit.*, pp. 59-60. Bleaney's comment should be understood as a criticism, one informed by his concern over the negative effect of soft budget constraints in AES. Michael Bleaney, *Do Socialist Economics Work? The Soviet and East European Experience* (Oxford: Basil Blackwell, 1988), pp. 157-8.
60. Insofar as all producers are common and equal owners of the means of production, there is as well the basis here for egalitarianism. Cf. Michael A. Lebowitz, "Contradictions in the 'Lower Phase' of Communist Society", *Socialism in the World*, No. 59 (Belgrade, 1987), pp. 123-4.
61. Kornai, *The Road to a Free Economy*, p. 59.
62. Kornai, *The Road to a Free Economy*, p. 51; Kornai, "Efficiency and the Principles of Socialist Ethics", *op. cit.*, p. 125.
63. Karl Marx, *Capital*, Vol. I (New York: Vintage, 1977), p. 899.
64. Marx to Sigfred Meyer, 30 April 1867 in Marx and Engels, *Collected Works*, Vol. 42 (New York: International Publishers, 1987), p. 366. Michael A. Lebowitz, *Beyond Capital: Marx's Political Economy of the Working Class* (London: Macmillan, 1991), cf. especially Chs. 7 and 8.
65. Marx, *Capital*, Vol. I, p. 899.
66. *Ibid.*
67. See note 53.
68. *Ibid.*, p. 935-7. Cf. Ch. 33 in general.
69. Marx, *Grundrisse*, pp. 278, 459-60.
70. Marx, *Capital*, Vol. III, p. 957.
71. See Marx, "Comments on James Mill", in Karl Marx and Frederick Engels, *Collected Works*, Vol. 3 (New York: International Publishers, 1975), pp. 227-8. Marx, *Critique of the Gotha Programme* in Marx and Engels, *Selected Works*, Vol. II (Moscow: Foreign Languages Publishing, 1962), pp. 23-4.
72. Marx, *Critique of the Gotha Programme*, p. 25.
73. Lebowitz, "Contradictions of the 'Lower Phase' of Communist Society", *op. cit.*, pp. 128-31.
74. In this respect, Kornai's conclusion that state ownership and market regulation

are inherently inconsistent elements should not be surprising.

Brus and Laski make this very point: "resorting to economic incentives. . . introduces into the postulated system an alien element threatening to come into conflict with the basic assumptions of the model", *op. cit.*, p. 12.

76. Marx, *Capital*, Vol. I, p. 171.

77. *Ibid.*, p. 172.

78. Alec Nove assumes that the **Marxian** argument is one in which, with abundance ("an unrealisable degree of plenty"), "acquisitiveness would wither away. . . . Here acquiritiveness would have lost all purpose". There is no suggestion above, however, that "abundance" is a necessary condition — if this is taken to mean the absence of scarcity and the need for choices under conditions of scarcity. Alec Nove, *The Economics of Feasible Socialism* (London: George Allen & Unwin, 1983), pp. 16, 59.

79. Marx, *Grundrisse*, p. 460.

80. Marx, *Capital*, Vol. I, p. 936.

81. For the implications of the solidity of the pre-capitalist peasant community, see the essays in T. S. Aston and C. H. E. Philpin, *The Brenner Debate* (Cambridge: Cambridge University Press, 1985); a more recent discussion by Robert Brenner (which is explicitly critical of the primacy of productive forces thesis) appears in "The Social Basis of Economic Development", in John Roemer, ed., *Analytical Marxism* (Cambridge: Cambridge University Press, 1986). For a discussion of alternative paths to industrialisation in Britain, see Maxine Berg, "Will the Real Bosses Please Stand Up: Marglin and Landes on the Origins of Capitalist Hierarchy", *Warwick Economic Research Papers*, No. 305 (October 1988); Maxine Berg, *The Age of Manufactures: Industry, Innovation and Work in Britain, 1700-1820* (London: Fontana, 1985); and M. Berg, P. Hudson and M. Sonenscher, eds., *Manufacture in Town and Country before the Factory* (Cambridge: Cambridge University Press, 1983).

82. Karl Marx, "Drafts of a Reply (to Vera Zasulich)" in Theodor Shanin, ed., *Late Marx and the Russian Road* (New York: Monthly Review Press, 1983), p. 104.

83. Rather than yielding to determinism, however, Marx did not think that the disintegration of the common ownership of those means of production in the village commune was *inevitable*:

Its innate dualism admits of an alternative: either its property element will gain the upper hand over its collective element; or the reverse will take place. Everything depends on the historical context in which it is located.

Ibid., pp. 109, 120-1.

84. This position appears most consistent with Keynes' argument that continued reliance upon "avarice and usury" is required to "lead us out of the tunnel of economic necessity into daylight". John Maynard Keynes, "Economic Possibilities for our Grandchildren", in *Essays in Persuasion* (New York: W. W. Norton & Co., 1963), pp. 369-72.

85. Kornai, "The Hungarian Reform Process", *op. cit.*, p. 1729; Kornai, "Efficiencies and the Principles of Socialist Ethics", *op. cit.*, p. 136.

86. Brus and Laski recognise the possibility of an alternative resolution but do not explore it because the "mood" in AES points in the direction of a consistently reformed system of market socialism proper. *Op. cit.*, p. 105.

87. Brus and Laski, *op. cit.*, Ch. 1, pp. 150-1.

88. Che Guevara, *Socialism and Man-in Cuba*, reprinted in Carlos Tablada, *Che Guevara: Economics and Politics in the Transition to Socialism* (Sydney: Pathfinder, 1989), p. 92.

89. Marx, *Capital*, Vol. III (New York: Vintage, 1981), pp. 512, 571.

90. Shanin, *op. cit.*, pp. 104, 113.

91. Marx, *Capital*, Vol. I, p. 447.
92. The centrality of "revolutionary practice" in **Marx's** conception is stressed in Lebowitz, *Beyond Capital*.
93. Note **Marx's** comment that one of the fundamental characteristics of the Russian village commune, common land ownership, formed "the natural basis of collective production and appropriation", Shanin, *op. cit.*, pp. 112-3. What he would have had to say about the current proposals to privatise land and other means of production is easy to imagine.
94. The arguments made here are developed further in Lebowitz, *Beyond Capital*, Ch. 8.
95. See the discussion in David **Mandel**, " 'A Market Without Thorns': The Ideological Struggle for the Soviet Working Class", *Studies in Political Economy*, No. 33 (Autumn 1990).
96. Kornai, *The Road to a Free Economy*, pp. 20, 21, 23-4. In this context, his emphasis upon the need for a strong state which can impose necessary real wage reductions with "an iron hand" is an acknowledgement of the necessity for "artificial means" on the road to the organic system of capitalism. *Ibid.*, pp. 195, 206.